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Phones 266072 266073
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Editor Krishna Raj
Associate Editor Rajani X Desai
Assistant Editor M S Prabhakar
Editorial Staff
K Vijayakumar, A A Dalvi
Manager J K Thakkar
Advertisement Manager R Venkiteswaran

Not a 'Technical' Lapse

THE firing along the India-Bangladesh border that has been going on almost continuously since the beginning of November last shows no signs of abating; and the latest flag meeting on Tuesday between the sector commanders of the Border Security Force and the Bangladesh Rifles at Belonia has not led to any agreement on ending the firing across the border in which the civilian populations have probably suffered more casualties than the armed forces of the two countries.

The lack of agreement is scarcely surprising, for the border firing only reflects the larger political failure of the leadership in both the countries to arrive at a settlement on the vexing question of the demarcation of border between the two countries, despite the fact that a comprehensive border agreement does exist which, moreover, spells out the guidelines that should determine the demarcation of the boundaries even in cases where the boundary between the two countries is a river or rivers notoriously given to changing their course periodically. In the present instance in Belonia, the dispute centres round the course of the river Muhari whose change of course has, even according to Indian views, adversely affected Bangladesh. The May 1974 agreement between the two countries provided for this contingency and spelled out that the border in the Belonia sector would be along the mid-stream of Muhari "at the time of demarcation". Since it was recognised that Muhari would change its course sooner or later, the agreement also provided for necessary changes in the demarcation of the border everytime the river changed its course; but in order to minimise such periodically fresh demarcations, it was agreed that spurs and embankments should be constructed to ensure that the prevailing course of the river did not change radically.

It is over the construction of these spurs and embankments that the present dispute has arisen, Bangladesh maintaining that India has deliberately errected spurs on its side of the river as to cause a change of the course of the river to the disadvantage of Bangladesh. But even this problem could have been resolved by a spot inspection by the Indo-Bangladesh joint rivers commission, had either of the countries really wanted the issue to be resolved. The indications are that this is not so. For, it is inconceivable that after high-level discussions both at the political level in Dacca in November and at the official level in Delhi last month, agreement could not have been arrived at on what ultimately amounts to a dispute over about 45 acres of char land.

An interesting feature of the failure of the Indo-Bangladesh talks on Belonia is that while Indian reports suggested that the talks had broken down because of Bangladesh's reluctance to have a settlement on the basis of the 1974 Indira Gandhi-Mujibur Rahman agreement, Bangladesh has officially repudiated the suggestion and has reiterated its "firm and unequivocal commitment ... to implement the 1974 land boundary agreement". Its grievance is that the agreement, arrived at in 1974, has not yet been ratified by India while Bangladesh itself ratified the agreement in November of that same year, in the teeth of opposition to the ratification by elements opposed to the Awami League government. But India's failure to ratify an agreement arrived at more than five years ago cannot be due (as has been maintained) merely to a 'technical lapse'. On the contrary, the lapse seems to have been deliberate, and is perhaps related to the special perception that India would like to have of its relations with Bangladesh. It may be relevant to recall in this context that the agreement over Berubari between Pakistan and India, arrived at in 1958, took full thirteen years before all the legal hurdles in its way could be crossed, and even then the division of Berubari was not given effect to, since by then (1971) other developments in the sub-continent had overtaken that agreement. Significantly, the 1974 agreement reversed the earlier agreement on Berubari (which was considered advantageous to Pakistan), with the whole enclave remaining with India. Since this agreement too has not been ratified, it is difficult to blame Bangladesh if it apprehends that this agreement too might meet the fate of the earlier Nehru-Noon agreement on Berubari. What is needed is just another crisis as that of 1971.

Underlying all such fears and apprehensions is the actual fact of the unequal nature of the relationship between the two countries which, given the circumstances of its origin, Bangladesh cannot wish away. This more than anything else dictates that such tensions in the relations between the two countries will continue.

The Economy

Treating the Symptoms

THE Reserve Bank's Report on Currency and Finance for 1978-79 begins with the observation that the developments in the economy during 1978-79 (July-June) "brought into sharper focus some of the continuing weaknesses in the economy". The 'continuing weaknesses' referred to are slackness in industrial output, infrastructural inadequacies, decline in the pace of accretion to foreign currency holdings, and the emergence of inflationary pressures. However, these are basically symptoms of a deeper malady. Thus there was relative price stability for about 24 months between March 1977 and February 1979. Earlier, prices were again relatively stable for about 20 months upto September 1976, though after a sharp rise in the preceding period. Likewise, foreign exchange reserves rose rapidly for over three years from mid 1975-76. These are surface economic phenomena and to focus attention exclusively on them, as the Reserve Bank's report does, is to miss the basic maladies afflicting the economy.

The basic goals of development are reduction of unemployment and amelioration of poverty. Experience has shown that the connection between these goals and conventional economic indices like national income, savings and investment, agricultural and industrial output, foreign exchange reserves, foreign trade, whole sale prices, etc, is on the whole tenuous. It may be argued that the goals referred to above fall in the realm of the long-term and that an annual review such as that attempted in the Currency and Finance Report should not concern itself with them. But the long-term after all is an aggregation of short-terms. Obviously, even the longest of long-term goals can be achieved only if the economy proceeds in their direction, however gradually, in the short-run. Once certain goals are accepted as the principal objectives of development, even year-to-year reviews of the economic situation cannot avoid discussing them.

Paucity of data may be advanced as another justification for avoiding subjects like employment or income distribution. This plea again is only partially justified; once there is awareness of the need for presenting the basic economic problems in perspective, there is a considerable amount of direct and indirect data relevant to the task. Unemployment and poverty may be capable of solution only in the long run, but economic developments of individual years mitigate or accentuate them. It is, therefore, necessary for any annual review of developments in the economy to take note of these mitigating or accentuating factors. In certain areas, such as employment growth in non-farm establishments, data which indicate the trends are available. Statistics pertaining to employment exchanges are similarly acknowledged as indicators of trends in employment in the organised public and private sectors.

No doubt these data are insufficient for a thorough analysis of the basic problems facing the economy. But that is only reason for institutions like the Reserve Bank trying to build up the required statistical and information systems and develop models to read the trends in these vital areas on the basis of available indicators. If employment is not expanding, if the purchasing power of the masses is dwindling and if per capita availability of wage goods is declining, would it then be wrong to conclude that in such a year the economy has not moved in the direction of the basic objectives?

Now, to assess the Reserve Bank's report on its own grounds, even in its conventional approach and analysis it seems to err many times. Consider, for example, the analysis of the industrial situation. The report talks of industrial sickness in the context of a marked slackening of the pace of growth of industrial output. In support, it quotes figures to show that as a proportion of the commercial banks' total advances to medium and large industrial units, those extended to sick units rose to 15.5 per cent at the end of September 1978 from 13.9 per cent a year earlier. The number of such units apparently increased from 270 to 334, a majority of them belonging to the five major industrial categories — cotton textiles, jute, cement, sugar and specified engineering industries — for which the government had introduced a soft loan scheme as early as in November 1976. According to the Reserve Bank's report, there were 256 sick units in these five industrial categories in June 1978 and many of them were new additions to the sick list since September 1977. This apparent spreading of sickness, it is suggested, has adversely affected industrial outp However, because commercial ban have started progressively reportin cases of sickness from among the borrowal accounts year by year, does not necessarily follow that the are all fresh cases of sickness. In fac after the IDBI, with the blessings o the government, introduced the so loan scheme in November 1976, a many as 410 applications had been re ceived by June 1978 for loans totallin Rs 833 crores to make up the back log of modernisation, replacement an renovation of plant and machinery.

The point is that the progressivel more complete reporting of cases o advances to sick units by commercia banks does not deserve to be raise to the status of an analytical explana tion for slower growth of industria output. Industrial output had shown a large increase of 9.9 per cent in 1976 precisely the year is which sickness i the industrial sector was such a liv issue that the government and IDB introduced the soft loan scheme. The rise in output of basic industries i that year was as much as 14.3 pe cent and of capital goods industrie 10.5 per cent. Consumer goods indus tries had shown an expansion of 10.2 per cent. Even in 1978, the increase in industrial output was 6.9 per cent It is meaningless, therefore, to link the largely statistical spread of sickness in industry with growth or lack of it in industrial output.

To take another example, the re port argues that "the growth in real national income during the year 1978-79 (April-March), estimated at 4.0 to 4.5 per cent, is considerably lower than that achieved in the previous year. It is also lower than the average annual growth of 5.6 per cent for the past three years". What is the sanctity of the figure for the past three years? If you take the average for the past two years (4.4 per cent) or that for the past five years (4.8 per cent), the growth rate for 1978-79 does not appear to be notably poor. Actually, the estimated growth of 4 to 4.5 per cent in 1978-79 was not lower than the long-term rate of growth of the economy.

To the same category belongs the report's observation that "the ratio of savings to net national product also showed an improvement over the year; a higher savings propensity is to be expected in a period of relative price stability". The assertion that the improvement in the savings-income ratio suggests an increase in the savings pro-

nsity, without examining the nature the improvement in savings, is arly questionable. In 1978-79, the ire increase in the proportion of ings occurred on account of increase the household sector's savings in the m of financial assets. And the share 'currency' in the total financial ets of households shot up from 9.9 cent in 1977-78 to 19.8 per cent 1978-79 (from Rs 693 crores to 1,512 crores). The increase in cur-ncy holdings took place because re were repayments under the mpulsory Deposit Scheme to the ent of at least Rs 500 crores (in ss terms); the repayments were to working class whose 'savings pro-nsity' could not be said to have gone as a result. A part of the increase currency holdings could also have en due to the disruption of the nking system. The point is that it difficult to explain why the house-ld sector's preference should have ved in favour of currency so rply, except by reference to such raneous factors. In any case, to gard the rise in the savings ratio in single year as an improvement in the ings propensity is clearly question-le.

While assessing the 'outlook' for the nomy, the report says that improve-nt in the price situation will call considerable skill in economic nagement. This raises the ques-n of the Reserve Bank's own con-bution in this regard. The supplies many key goods have been com-table and yet industry and trade ve been enabled to hold larger in-ntories with the help of bank credit. ere is evidence of this in the report lf. Thus the ratio of short term rowings to inventories in respect of Reserve Bank's sample of 415 ge public limited companies in the vate sector rose steadily from 47.2 cent in 1975-76 to 50.2 per cent 1976-77 and to 50.3 per cent in 7-78. Total bank borrowings as centage of inventories rose from per cent in 1975-76 to 54.9 per t in 1976-77 and to 55.1 per cent 977-78.

W

arade of Free Legal Aid

E concept of legal aid to the poor for long been a perennial favourite he Law Ministry; but its evolution the years and the efforts made by government to translate the con-cept into action provide an instructive example of how ideas of social welfare actually work in practice.

The idea was first mooted in the conference of state law ministers held in September 1957 which very virtuously recommended it for acceptance and implementation. Every state government agreed that schemes should be formulated to make free legal aid available to the poor and indigent, except that there was the problem of 'inadequacy of funds'. In course of time, it was decided that the Bar Council of India and the state Bar Councils should be made to constitute legal aid funds and formulate schemes for giving legal aid to the poor by bringing in necessary amendments in the provisions of the Advocates Act, 1961, and a bill to give effect to this proposal was introduced in the Rajya Sabha in 1970.

Nothing seems to have come out of the bill, for the next one heard of the idea was in October 1972, when an 'expert committee', that time-honoured device, was constituted under the chairmanship of V R Krishna Iyer, then member of the Law Commission, to go into the whole question and submit a report. The Committee performed its task expeditiously and submitted a report in May 1973. That report, however, was not placed on the table of the House, but "was got printed and copies thereof placed in the libraries of both Houses of Parliament for the perusal of the Honourable Members" — a most curious exercise. Evidently, and after prolonged examination, the Krishna Iyer Committee report was found not quite acceptable, and the usual way out was taken of appointing another committee three years later, in May 1976, this time with Justice Bhagwati as Chairman and Justice Krishna Iyer (again) as member. This Committee too performed its tasks fairly expeditiously and submitted a "very comprehensive and voluminous" report on "National Judicare: Equal Justice-Social Justice" in August 1977 which was placed on the table of both the Houses in December of the same year. According to the annual report of the Law Ministry for 1977-78, the recommendations of the Committee were being studied "with a view to formulating a workable scheme of Legal Aid keeping in view the financial resources of the State".

And pending formulation of the scheme, a token provision of Rs one lakh was made for making available such legal aid to the poor in the budget for 1978-79. According to the following year's report of the Law Ministry (1978-79), "an inter-departmental committee has been constituted by this ministry with representatives from the ministries of finance, home, labour and department of social welfare, personnel and administrative reforms and justice to examine the recommendations of the Bhagwati Committee in depth and to work out a mechanism of legal aid keeping in view the financial implications of the scheme". This inter-departmental committee was to prepare a 'policy paper' on the subject on the basis of which decisions were to be taken. Meanwhile, as in the previous year, a token provision of Rs one lakh was made in the budget for 1979-80 as well.

But it is not at all certain that even after all these elaborate exercises, anything in the nature of a concrete scheme for providing free and competent legal aid to the poor will ever actually emerge. At least, the signs are not promising. It is not merely that there have been reports recently of the finance ministry turning down some specific proposals put forwad by the ministry for providing legal aid to the poor at the level of the Supreme Court on the specious plea that such a measure involves a policy decision which the caretaker government was not competent to take; nor is it merely that even the token budgetary allocations made in this regard last year and this year remained and promise to remain unutilised. These are depressing symptoms enough, and in themselves belie the theoretical commitment to social justice so eloquently articulated by government leaders. But a more significant pointer to government's reluctance to go beyond the most formalistic commitment to providing free legal assistance to the indigent has been that although the Supreme Court ruled in a judgement delivered in August 1978 that it was the duty of the State to provide free legal aid to prisoners and even laid down five 'prescriptions' to govern such legal aid, and even though the Constitution itself lays down that "the State shall secure the operation of the legal system and promote justice on a basis of equal opportunity and shall, in particular, provide free legal aid by suitable legislation or schemes or in any other way to ensure that opportunities for ensuring justice are not denied to any citizen by reason of economic or other disabilities", there has been neither 'legislation' nor 'schemes' till now after all these exercises to give effect to these assurances.

Such contradictions between the directive principles of the Constitution and the actual governance of the

country are not in the least unusual. It is the duty of the State to voice its commitment to such concepts as free legal aid to the poor and appoint high powered committees to submit comprehensive and voluminous and no doubt highly well-intentioned reports on such schemes. It is equally the duty of the highest legal luminaries of the land to direct the government to provide free legal aid to the indigent and even lay down specific 'prescriptions' in this regard; and it is equally the duty to the government to ignore such 'prescriptions' and while making token contributions for dispensing legal aid to the poor in successive budgets, allow the moneys to be unused. Or, could it be that the government genuinely believes that there was no case in 1978-79 and in 1979-80 deserving free legal aid?

West Bengal

Federal Principles Thrown Overboard

A Correspondent writes :

LIKE most other states, West Bengal is also going through a difficult period of shortages and price rise of quite a few essential items. While the pattern remains more or less the same, in its case, some other issues appear to be involved. And they raise questions not only about the merit of the policies that the state government has adopted but also about the much larger issue of the working of the federal polity in the country as a whole.

The situation is exemplified by what is happening in sugar, on which New Delhi has made several quixotic somersaults in the course of the past few months. West Bengal does not produce much sugar and has to depend on 'imports' from other states for the bulk of its supplies. It ran into some serious trouble when in early December some of the major producing-exporting states decided to put a curb on the despatch of sugar for outside sale. The first to choose this course was Maharashtra and it was followed by Karnataka and Tamil Nadu.

Certainly, these states had very good reasons for choosing such a policy of conservation. But the point that no one seemed to care for was how could this fit into the ground rules of a federal structure. It amounted to a total negation of the elementary principle of a federal polity that the entire resources of the country should be considered as forming a pool from which each unit would be drawing a share depending on its needs and the total availability.

In fact, but for the ingenuity of the traders, sugar supply would have completely gone dry in West Bengal for some time. The traders managed to find out ways of beating the ban on 'exports' in the manufacturing states and kept on bringing supplies, charging in the process extras under the table. For the state, however, it was a close brush with a disaster and though it has somehow managed to see through the worst of the situation, the innate vulnerability that it faces has been fully exposed. And what is true of West Bengal is no less true of most states, only the commodities vary from one to the other.

What has happened in sugar is but only the most glaring instance. For West Bengal, no less a problem has been getting enough common salt. This item too comes mostly from the west coast states and its supply has also remained uncertain for many many months now, with no immediate prospects of a change in the situation. And if one wants to add more items to the list, one can put in vegetable oils and even vegetables like onions and potatoes.

The prices of almost all these items — from sugar to potatoes — have been shooting up in West Bengal for some time, causing considerable embarrassment to the Left Front government preparing for the mid-term parliamentary elections. So Writers Buildings decided to put its foot down. The chief minister, Jyoti Basu, called in the traders and told then that unless they took steps to bring down the prices, the government would take strong action. He did not mention the action that was being contemplated, but hinted that these could be drastic.

The leaders of the trading community took the notice in sullen silence. Memories of traders being taken down the street with handcuffs on during the days of the Siddhartha Ray administration are still fresh in their mind. And that would be the last thing they would like to be repeated. At the same time, they expectedly pleaded that the blame for the price spurt could not be placed entirely at their doorstep.

But the traders' image did not certainly become more radiant when it was revealed that a number of wagons carrying potatoes were being left uncleared at the city railway yards while there prices were going up in the local markets. Newspapers even carried photograph of how some of the supplies had started rotting because of long storage in the wagons. When the leading traders were confronted with these facts, they merely said that only a few black sheep among them did this sort of thing while the majority of them stayed clear of such dirty praetices.

The state government's warning produced only a passing impact on market prices. For a couple of days, prices tended to be a little easier but soon they were back to the previous level. The traders try to explain it away by saying that they cannot be expected to tamper with or manoeuvre the operation of market forces of demand and supply for long, for they ultimately take over and set the price level.

What the state government is planning to do in the next round of the encounter is not known; for the time being, the more important thing appears to be how to save democracy, rather than how to save the consumer. But the options are getting narrower. The chairman of the Left Front Committee and the CPI(M) chief in the state, Promode Dasgupta, is for takeover of the wholesale trade and distribution of essential items at subsidised rates through fair price shops. But all this will depend on the type of government that comes to power in New Delhi after the elections.

Presumably the main policy measures would come after the dusts raised by the elections settle down. The few measures that have been taken so far do not add up to a meaningful package. In fact, some of them pose a few interesting questions. Take, for instance, what is happening in kerosene. The government has decided to bring it under rationing. But the quota fixed for each ration card holder is hardly enough to burn for cooking and lighting for a week.

Till rationing was introduced, the supplies were certainly uncertain. There would be long queues in front of the shops selling the fuel on those days of week when they would have supplies. This was very inconvenient no doubt, but each household was somehow managing to collect just as much as it needed. The rationed quota has slashed the consumption per household. Why this has to be done, especially when the Central allotment of kerosene for the state has not been lowered, is not known. Only the consumer has been asked to tighten his belt, but does signal that some others are trying to fatten their pocket?

Waist Deep in Big Muddy!

GPD

THERE was, I think, a famous Joan Baez song during the days of the American barbarism in Viet Nam: "Waist deep in big muddy!" Something similar has happened to the Soviets in Afghanistan. They are there to sink deeper and deeper in the mud.

Beginning with April 1978 this is the third, the largest and the most blatant intervention in Afghanistan by the Soviet Union. Daoud was overthrown. Amin took care of Tarahki and now Amin has been executed by the Karmal government. Three governments in twentytwo months — quite a tribute to Soviet power, one must say. The Soviet Union has now demonstrated it can make and unmake governments with about as much ease as the Americans do. The not-so-peaceful competition between the two Super Powers extends to the field of intervention as well. Comrade Brezhnev has made his point. If the Americans can intervene, the Russian can do so as well. If the Americans can get Allende murdered by his successor, the Russians can do so as well in other parts of the world.

So Babrak Karmal now rules Afghanistan with about 50,000 Soviet troops defending his socialist experiments. The Soviets have given to the Afghans, so one understands, land reforms and anti-insurgency capability. The price is quite small, the Russians might argue. A few thousand Soviet troops, a couple of coups and you have what the Russians describe as "a socialist-oriented state".

This contribution to the theory of State comes from no less a person than Comrade Brezhnev himself. It was not quite clear what the term "socialist-oriented state" was supposed to mean. When the commentaries on Brezhnev thought are written, it will be completely clear. In the meanwhile, we have only the Soviet behaviour to go by. And if it is any guide, "socialist-oriented state" should mean a state in which the Soviets can intervene at will — in defence of land reforms and other socialist-oriented measures, of course! It would be idle, however, to imagine that the Soviet problems are over. Their protege in Kabul (whosoever he is; for the names do not matter. You can call them socialist-oriented x and socialist-oriented y) has to face an Islamic insurgency. The Soviets had begun their 'role' in Afghanistan on two rather sound bases. They had, in fact, set in motion a process of land reform in Afghanistan. Besides, the Afghan government happened to be the only island in a vast Islamic ocean where no 'Islamic fundamentalism' was permitted to rule the roast. But these advantages were bound to be short-lived. Instability and insurgency have gripped Afghanistan. More and more Soviet troops are coming in every day. All this evokes memories of the sixties. It is dangerously close to the American barbarism in Viet Nam.

Lately an idea that you can 'modernise' or 'revolutionise' societies by intervention seems to have got currency in parts of the 'socialist' world. The Soviets and the Vietnamese moved in quite fast to liberate the Kampucheans from the terrible Pol Pot. Now the Soviets have moved into Afghanistan to liberate the Afghans from Amin who, it seems, had all along been an agent of US imperialism! Amin's efforts to disorient the socialist-oriented state have been smashed!

But it is difficult to see the Soviets getting out of all this mess safely. The Islamic fundamentalists who seem to be on the ascendancy all over the area have been made to look the real 'nationalists', seekers of freedom and so on. What the Shah and the Americans did to Khomeini's prestige in Iran, the Soviets and their socialist-oriented proteges have done to the reactionary, feudal, Islamic fundamentalists. The Soviets will have to pay a very heavy price for this. But then interventionists are always unmindful of such small details!

As if the situation were not bad enough, President Carter has announced his plans to rearm Pakistan to meet the Soviet threat. The man ruling Pakistan today should be nobody's idea of an ally. But the Americans do not pause to consider such issues. The Soviets and the Americans have extraordinary ideas of helping other people! Stalin would not be in Carter's reading list. The Soviets, of course, do not know who this fellow was. But the following passage from him will make it clear what the two Super Powers are doing to our neighbours. Stalin refers to a well-known Russian fable by Krylov "The Hermit and the Bear".

> It goes without saying that the bear's intention in smashing the head of his friend the hermit with a lump of rock was to deliver him from the importunate fly. Nevertheless the hermit paid with his life for the bear's friendly motives!

The tragedy in Afghanistan may not be limited to this. The Russians themselves might find getting out of the mud far more difficult, bloody and in the end humiliating than getting in.

LETTER TO EDITOR

Soviet Troops in Afghanistan

WE, the undersigned, condemn the Soviet Union's occupation of Afghanistan. With the help of over 40,000 troops the Soviet Union has installed a puppet regime in Kabul.

The Soviet occupation of Afghanistan is a threat to the Indian subcontinent and it is imperative that this region of South Asia be kept free of Super Power rivalries.

We note that the Russian invasion of Afghanistan was carried out under the pretext of the Afghan-Soviet 'Friendship' Treaty. This shows that such 'Friendship' treaties can be instruments of Soviet interference in the internal affairs of other countries. We, too, have a Friendship Treaty with the Soviet Union; we must see that the treaty will not be used to snatch away from us our sovereignty and freedom.

We call upon all patriotic and democratic Indians to demand the immediate withdrawal of Soviet troops from Afghanistan and to support the Afghan people's resistance to Soviet occupation. If the Soviet occupation is not vacated, then the Moscow Olympics should be boycotted.

ALOO DASTUR, DURGA BHAGWAT, VIJAY TENDULKAR, DHIREN NARAIN, MANORAMA SAVUR, S H DESHPANDE, S P MOHANTY, VASANTHI RAMAN, P V M DESAI, R SRINIVASAN, K P MODI, P M KAMATH, R N BILLIMORIA, RITU DIWAN, A N OZA, L K DESHPANDE, P P DESAI, K NARAYAN, J P DIXIT, S CHABRIA, V B GODRE.

Bombay
January 3

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (15.12.79)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-76
All Commodities	1000	225.7	2.7	21.7	18.4	−0.1	5.1	2.1	−1.1
Primary Articles	417	210.0	1.5	17.4	16.2	−1.4	9.7	0.8	−6.6
Food Articles	298	190.6	1.2	13.2	12.4	−0.7	11.7	−5.1	−4.9
Non-Food Articles	106	201.0	0.9	16.7	15.5	−4.6	6.1	19.7	−14.6
Fuel, Power, Light and Lubricants	85	295.2	0.1	20.0	14.2	4.4	1.4	5.3	10.5
Manufactured Products	499	227.0	4.2	25.8	21.3	0.1	2.2	2.3	1.4

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-76
For Industrial Workers	1960=100	360[8]	2.0	8.8	8.4	2.2	7.6	−3.8	−1.3
For Urban Non-Manual Employees	1960=100	318[6]	1.3	5.0	3.2	3.4	7.0	—	2.6
For Agricultural Labourers	July 60-June 61=100	342[8]	3.6	6.9	10.3	−1.9	6.9	−4.7	−13.9

Money and Banking	Unit	Latest Week (7.12.79)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	23,472	528 (2.3)	3,499 (17.5)	1,762 (8.1)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,237 (10.4)
Net Bank Credit to Government	Rs crores	16,788	—705	2,330	1,447	1,921	2,449	910	579
Bank Credit to Commercial Sector	Rs crores	28,291	202	4,678	3,084	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,639	—236	511	124	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 14.12.79)	Rs crores	30,406	474 (1.6)	5,230 (20.8)	3,531 (13.1)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
Geneneral Index	100.00	147.5[8]	151.1	147.0	2.8	6.8	5.3	9.8	4.7
Basic Industries **	32.28	166.4[5]	171.5	161.5	6.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	145.8[5]	166.6	157.7	5.6	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	141.7[5]	140.1	131.9	6.2	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	132.0[5]	142.1	142.8	−0.5	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	169.8[5]	159.0	142.5	11.6	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	127.4[5]	140.1	142.9	−2.0	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Oct 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	399	3,372 (13.5)	2,971	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	583	4,396 (21.7)	3,612	6,764 (12.3)	6,025 (18.7)	5,074 (−3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	—184	−1,025	−641	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (June 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,722	13,722 (17.9)	11,635 (11.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,833 (2.6)
Number of registrations	Thousands	483	2,984 (9.9)	2,716 (16.8)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,172 (−15.8)
Number of placements	Thousands	42	235 (1.3)	232 (−4.9)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	396 (−23.3)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript[1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period.

Background to a Vote

Romesh Thapar

ONE major contribution of the 1980 election is that nobody now needs to be convinced about the extraordinary underpinning of black money — and imported funds, if we are to believe the reports circulating! — that the democratic political process requires. It is a terribly demoralising fact that a minimum of some Rs 3-5 lakhs is needed to budget an entry into legislative politics irrespective of the work done at the grass roots. In other words, the profession has become the preserve of 'operators' of various description. Those devoted to the public interest are finding themselves compelled to seek opening in rigid formations like those of the Communists and the RSS which are able through cadres to neutralise money power.

All over the country, from 'candidates' to 'activists', the election contest has thrown up the strangest characters. The new political environment is only partially influenced by the arrival of 'non-elitist' elements at the higher levels of power. Very largely, it is the not inconsiderable underworld of India that is rising to cover itself in the mantle of populist politics. Lacking education, unemployed, cultured by the literature and ambience of violence and pornography, totally uncommitted to principle or perspective, and determined to use the levers of power for self-aggrandisement, the common politician and the hangers-on are becoming a threat to the institutions of democracy.

The patterns vary, depending on party and region. Naturally, Indira Gandhi and Son unashamedly lead the field, but the infection is touching every party, even those based on cadres. That is why there is so much talk about the worst Indian traits surfacing after a few decades of political sophistication. The vast, silent majority in office, factory and farm look at the present election process with a certain cynicism and with many forebodings. This majority is looking for an alternative which will work efficiently and which will ensure the right to dissent. This psychological trauma explains in many ways the listlessness of this election we are in. Vote we must, but for whom? Slowly, we are realising that whatever the odds we have to gather a majority for those who permit the debate and the experimentation to move to fuller and healthier political participation.

If the constitutionalist N A Palkhivala begins battle for a presidential system — failing, I think, to see the paucity of institutions and commitments which can make tyrants out of pampered politicians! — there are others who argue that we must build around the rich experience of the past 30 years, now threatened by money power. There are proposals for an Election Fund to take care of the basic expenses of electioneering, individual and party, and serious study of systems of proportional representation as in West Germany which at least create an entry for talent and expertise in political life. I am sure that the coming months will see an energetic elaboration of such ideas — and the adoption of many if the pressure is determined and sustained.

We are moving into a coalition culture and there is no reason why we should be frightened by it. India is not a country. It is a complex continent. There is enough economic muscle now to sustain the early phases of coalition politics. We may cross the hump sooner than we think. After all, the amorphous continental parties of yesterday (composed of varying and contradictory trends!) are being replaced by more coherent parties prepared to bargain over coalitions and a programmatic consensus. There is health in this if our parties approach the business of consensus-making with a seriousness which is absent at the moment because they dream of 'clear' majorities.

We are actually witnessing the consolidation of many regional parties, and the beginnings of parties devoted to the specific and unique problems of an area within a state. The second reorganisation of the Indian states will be ordered as soon as this process takes more tangible shape — and we get over our hesitancies about another reorganisation! The hesitancies are based on fears about internal violence, the multiplication of political and bureaucratic infrastructures and the dangers inherent in unplanned or chaotic decentralisation. Admittedly, these fears will dissolve only when we have a leadership which is prepared to spell out the solid disciplines needed to preserve such a federal democracy.

This will be forced upon us in a certain sense, for the business of non-governance and political instability ultimately invites slow decay — not in living standards, but in the social infrastructures so necessary for healthy growth. There is visible 'prosperity'. But there is no money for preserving the minimum norms, even of municipal standards. No one wants to pay taxes. Corruption of various kinds envelopes the system. There is a lacing of these trends all over the world, but its presence in under-development is dangerous. India cannot ignore this any more.

Increasingly the organisations of the people will have to intervene at every level with specific proposals for reform and revival, not in the superficial manner of the populist politicians but as serious participants in a democratic system which is needed to hold a complex sub-continent together. These organisations of the people — professional, multi-disciplinary, elitist, mass-based, local, regional and continental — alone can halt the aberrations of the politicians and make us aware of a totality which drowns our individual obsessions.

The silent majority has to act, has to be given the chance to act. When the populist mush is removed, matters concerning critical aspects of our constitutional rights, and issues like secret ballots in every organisation (as in elections!), hiring and firing on the basis of viable systems, speedy justice whatever the cost and a host of other such minor (but vital!) questions have to be fought before the silent majority is able to make an impact on the mess of today. How do we build this national assertion? There can be no forward movement without this effort. And if all our calculations go wrong in the current election contest, are we thinking of the mechanics of mass action to curb runway politicians.

Our unhealthy state is highlighted by the current fright running through the Congress(I). What would happen to the party if 'The Leader' is defeated, and her son wins? Obviously no party worth the name would remain. A sobering speculation as we prepare to vote.

A happy New Year? Well, let's see....

December 29.

Diversifying from Sound Base

Hansavivek

GREAVES COTTON's gross profit for the year ended June 1979 is lower than that of the previous year despite higher sales. This is because the 1977-78 profit figure included the one time profit on sale of Mather Greaves shares and disposal of cone plant machinery totalling Rs 35 lakhs. Thus, the comparable figure of operational profit for the previous year was lower. In addition, the company had to incur considerable expenditure during 1978-79 in setting up a country-wide sales organisation under the Lombardini division, which is expected to pay dividends in future years. Furthermore, the company decided not to charge interest on its loan to Greaves Lombardini, in which it has a vital stake and which has been experiencing financial stringency. Profit after tax is lower and the dividend raised by a point to 13 per cent is covered twofold against 3.09 times previously. The Greavestool division has made substantial contribution to the overall results. It will shortly take up for manufacture prototypes of heavyduty diamond core drills in technical collaboration with Diamant Boart of Belgium. Greaves light engineering division has shown some improvement in productivity and has reached the break even point. The rock bit manufacturing plant at Nasik also improved its performance and has extended marketing of rock bits to mining and water well drilling and met increased requirements from the oilfield industry. Work of the division as well as rock bit manufacturing plant, however, came to a halt after mid-September last and the management declared a lockout from October 4. The current year's prospects for the Nasik units have thus become uncertain. The company's project division has secured, in conjunction with Aetna-Standard Engineering of USA, an order for supply, erection and commissioning of one anneal and pickle line and one carlite coating line for processing cold rolled grain oriented silicon steels at the Rourkela steel plant. Total value of the contract is Rs 11.4 crores, out of which the project division will arrange for engineering and supply of Indian portion of the equipment of approximately Rs 3 crores value. Among the associated companies, Greaves Foseco turned in lower profit despite higher sales on account of increases in costs, but Greaves Dronsfield has shown improved results. Crompton Greaves showed all-round improvement in its operations and its diversification and expansion plans in the underdeveloped regions of Nasik and Ahmednagar in Maharashtra are in progress. New India Fisheries showed substantial improvement in its working, but Greaves Cotton sold the shareholding at a small profit to Vaz Forwarding of Bombay in view of the government policy restricting the scope of larger houses in deep sea fishing.

INDO-BURMA PETROLEUM has turned out improved results for 1978-79 with higher turnover and profits, although margins have narrowed. Dividend has been raised by a point to 13

The Week's Companies (Rs Lakhs)

	Greaves Cotton		IBP		Bharat Gears		Shriram Bearings	
	Latest Year 30-6-79	Last Year 30-6-78	Latest Year 31-3-79	Last Year 31-3-78	Latest Year 31-7-79	Last Year 31-7-78	Latest Year 30-6-79	Last Year 30-6-78
Paid-up Capital	475	475	210	210	221	190	75	75
Reserves	583	534	294	294	55	3	74	74
Borrowings	911	799	558	269	233	301	206	160
of which Term borrowings	105	114	89	134	172	200	40	21
Gross fixed assets	350	336	606	572	599	551	205	189
Net fixed assets	172	171	351	346	429	385	126	114
Investments	343	343	533	277	—	—	—	—
Current liabilities	1746	1340	2003	1692	113	80	46	53
Current assets	3191	2629	2126	1812	193	181	287	267
Stocks	910	679	168	114	116	110	176	164
Book debts	2125	1811	1642	1464	43	60	81	76
Net sales	7064	6020	16335	13981	611	477	468	439
Other income	313	395	58	53	21	18	9	17
New material costs	6016	5142	15527	13433	190	123	125	120
Wages	354	327	171	138	76	62	66	65
Interest	172	167	33	8	49	58	24	23
Gross profit(+)/loss(—)	334	346	109	103	153	92	14	17
Depreciation provision	27	28	37	34	63	51	16	16
Tax provision	158	156	25	19	—	—	—	—
Net profit(+)/loss(—)	149	162	47	50	90	41	− 2	1
Development rebate provision	2	—	1	16	33	—	—	—
Transfer to reserves	55	107	22	12	19	—	—	—
Dividend								
Amount	P 4	4	P 3	3	P 18	—	P 4	2
	E 55	51	E 21	19	E 20	—	E —	—
Rate (per cent)	P 6.50&7.80	6.50&7.80	P 5.62	5.62	P 9.5	—	P 11	11
	E 13	12	E 13	12	E 12	—	E —	—
Cover (times)	2.00	3.09	2.04	1.64	1.95	—	—	—
Ratios (per cent)								
Gross profit/sales	4.72	5.74	0.66	0.75	25.04	14.29	3.00	3.90
Net profit/capital employed	14.08	16.06	7.32	9.93	32.61	21.24	—	0.69
Inventories/sales	12.88	11.28	1.03	0.82	19.00	23.06	36.32	37.36
Wages/sales	2.43	2.77	1.04	0.98	12.44	13.00	14.10	14.78

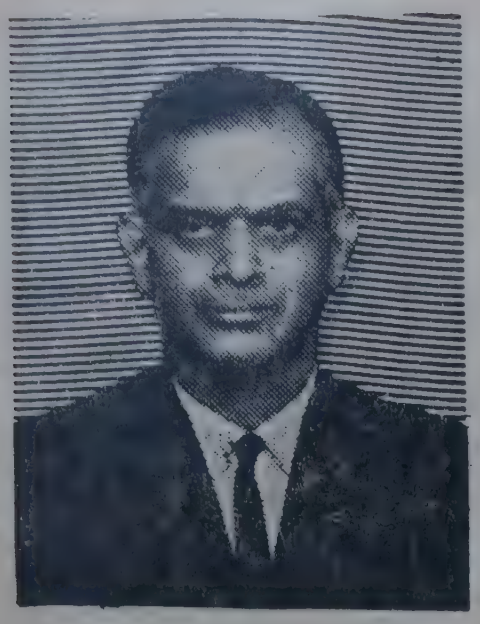
per cent, which is covered more than twice by earnings. A sum of Rs 25 lakhs has been ploughed back to the general reserve. The current year holds out promise of further fair improvement. Production at the industrial explosives plant at Korba has stabilised at "much higher" levels and the plant is expected to produce this year somewhat in excess of the licensed capacity. The second plant is due to be commissioned within the current fiscal year. Also, work is in progress for the installation of plant at Kudremukh, which will produce site-mixed slurry explosives in accordance with the contract for the supply of such explosives with Kudremukh Iron Ore. This will be the first ever such plant to be set up in India and the company hopes to put up similar plants at other major mining sites. The oil division achieved 13.44 per cent increase in sale of petroleum products during 178-79. The engineering division's turnover expanded from Rs 92 lakhs to Rs 215 lakhs. Efforts are continuing to improve the product design and widen the product range to secure a larger share of the high vacuum products market. Considering the present state of affairs of Assam Silimanite and Shama Forge in which IBP has total investment of Rs 25 lakhs, the directors have revalued investments in these companies at a nominal amount with a corresponding reduction of about Rs 25 lakhs, in the investment depreciation reserve account. Among the subsidiaries, Balmer Lawrie has recorded impressive improvement in its operating results, despite a highly competitive market, without receiving preferential treatment on account of its being in the public sector. But Biecco Lawrie's financial results have again been very poor. It has since ceased to be a subsidiary from July 2, last, following allotment of 5,26,800 equity shares of Rs 10 each to the President of India. Bridge and Roof too ceased to be a subsidiary from December 1, 1978 for similar reason.

BHARAT GEARS is poised for substantial expansion and diversification of its activities. It is engaged in establishing a second plant for production of additional 500 tonnes of automotive gears at an estimated cost of Rs 5 crores. The new plant is expected to be commissioned during the current financial year. With this, the company's licensed capacity will increase to 1,500 tonnes. What, however, is more important from the shareholders' angle is that the entire cost will be met out of the term loans from financial institutions and company's own funds. No fresh capital is proposed to be raised for this purpose. Production of commercial vehicles and agricultural tractors by the company's 'original equipment' customers is on the increase, and the automotive replacement market is also maintaining the upward trend. The management is confident of being able to market the entire production. For manufacture of gears, the company requires forgings of good quality and of precision dimensions. It proposes to commence manufacture of forgings and is seeking an industrial licence for production of 3,000 tonnes of forged blanks. The company also proposes to undertake manufacture of gear boxes and axle assemblies, demand for which is expected to expand substantially with the growth of the transport industry in the country. Some of the process equipment already installed in the existing gear manufacturing plant is proposed to be utilised for the manufacture of these products. An application for an industrial licence has been submitted and the management is negotiating for suitable foreign collaboration and technical knowhow. In addition, the company also intends to undertake manufacture of furnaces, particularly heat treatment furnaces. The company has already manufactured and installed at its factory a continuous gas carburising furnace, which is operating satisfactorily. An application for an industrial licence has since already been submitted. The company has produced good results for 1978-79, with higher sales and profits. It is not only clearing the entire arrears of preference dividends, but also paying a maiden equity dividend of 12 per cent, which is well covered by earnings. About 74.60 per cent of the dividend is expected to be exempt from tax.

SHRIRAM BEARINGS has shown poor results for the year ended June last. Its operations were affected for 139 days on account of a strike by workmen at the Ranchi factory. Although net sales looked up from Rs 4.39 crores to Rs 4.68 crores, gross profit declined to Rs 14 lakhs from previous year's Rs 17 lakhs. After depreciation, there was a small loss. By writing back the provision of gratuity amounting to Rs 7 lakhs the loss has been wiped off and the directors have also cleared arrears of preferential dividend. The strike was called off in February and since the working has shown considerable improvement. Equipment for balancing of capacity and improvement of quality has since been installed and in spite of the power situation being rather critical, working of the factory during the current year has been satisfactory. The directors are hopeful of "much better" results this year. The expansion programme of ball bearings capacity is expected to be completed after conversion of the 'letter of intent' into industrial licence.

POLYOLEFINS INDUSTRIES has been offered 15,20,000 equity shares of Rs 10 each in Mindia Chemicals by Monsanto of US. These shares are at present held by Monsanto's wholly-owned subsidiary, Chemstrand Overseas, and constitute 40 per cent of the issued and paid-up capital of Mindia. After negotiations, the parties have mutually agreed to a price of $ 12,50,000 for the entire block of shares. This price at the current exchange rate works out to Rs 6.65 per share. PIL's management feels that purchase of 40 per cent interest in Mindia is in the best interest of the company. Mindia was incorporated in 1973 in financial and technical collaboration with Monsanto. Its factory is situated at Thane in Maharashtra and is engaged in the manufacture of rubber chemicals and intermediates. As at the end of 1978, it had accumulated losses of Rs 5.63 crores as against the share capital of Rs 3.80 crores. PIL manufactures high density polythylene and processed polyethylene products. It is a profitable concern and one of the prestigious units of the Mafatlal group.

SIMPLEX MILLS has fared well during the year ended June 30, 1979. While net sales have increased by 22.2 per cent from Rs 17.21 crores to Rs 21.03 crores, gross profit has expanded by over 68 per cent from Rs 88 lakhs to Rs 148 lakhs, reflecting widening of margins. Net profit is Rs 72 lakhs (Rs 27 lakhs). The unchanged dividend of 14 per cent on the capital enhanced by a one-for-six bonus issue is covered three times as against 1.28 times previously. This performance is attributed to favourable conditions such as availability of cotton at reasonable prices and continuance of multi-fibre policy by government. With the commissioning of the rotary printing machine, moreover, the company was able to print sophisticated designs. With the change in consumer taste, addition of this machine will help the company to achieve higher realisation. The performance of the Akola unit continues to equally good and the demand for its products is on the increase.



Statement by Chairman, Mr. George Thomas, on the occasion of the 16th Annual General Meeting of the Company held on 29th December, 1979

I have great pleasure in welcoming you to the 16th Annual General Meeting of your Company. The Directors' Report and the Audited Accounts of the Company for the year 1978-79 have been circulated and with your kind permission I shall take them as read.

Last year, I had occasion to refer to the encouraging signs of growth and stability in the economy. The economy appeared to have acquired a fair degree of resilience and inherent strength for sustained growth. But our expectations have been short-lived. Along with disturbing trends in the world economy, the economic scene in our country too is causing great concern.

The rate of inflation touched 17.2% mark over the year ended October. Acute drought conditions gripped practically the entire northern belt of the country, resulting in substantial decline in food production. With the fall in the growth rate of industrial production and critical shortages in basic infrastructural facilities like power, coal and transport, the economic scene is indeed gloomy. The latest Annual Report of Reserve Bank of India points to the very uncomfortable position of the economy and has expressed its anxiety to check and reverse the trend. The only silver lining in the otherwise bleak horizon is that the country's external reserves continue to be satisfactory, despite the fall in export earnings, thanks mainly to the foreign remittances continuing at a high level.

The industrial production has been hampered by shortages in critical inputs, *viz*, steel, cement, coal, power and transport. Some efforts have been made to make good the shortages in steel and cement by imports and coal by better supply management, but the position of power and transport is causing anxiety. In a vast developing country like ours, no worthwhile economic growth is feasible without adequate power and transport facilities.

How to revive the growth is the main problem now confronting the nation. The Reserve Bank of India Annual Report correctly suggests "larger investment especially in essential infrastructural facilities as Transport, Electricity and Coal and more efficient utilisation of existing capacities". Therefore, the main task of our planners and administrators concerned with the management of the economy should be to put the essential infrastructural facilities back on track and thus give a thrust to the sagging economy. Mobilisation of resources for feeding the Five Year Plans is the need of the hour.

Power Industry

Judged by the yardstick of addition to generating capacity, the growth of the Power Sector in 1978-79 has been a record. For the first time a capacity of 3022 MW has been added to the installed capacity in a year. However, it should not be overlooked that to reach the targeted capacity of 44,600 MW by 1982-83 in the next four years, the average annual addition should be of the order of 3900 MW. Ultimately the Power Sector should have the capacity to absorb investment enough to add about 4500 MW per annum towards 1982-83 if further accelerated growth is to be ensured. There will definitely be severe constraints in the implementation of such a gigantic power development programme unless adequate counter-measures are taken in advance with imagination.

It is therefore a matter for satisfaction that the National Thermal Power Corporation and National Hydro-Electric Power Corporation have come on stream and the work on all the Super Thermal Stations has started in right earnest. This indicates a major policy shift in that there is going to be greater direct participation by the Central government in power development. This will definitely accelerate the power development programme in the coming years. We cannot however minimise the role played by the State Electricity Boards and the Regional Electricity Boards in the power structure. There is compelling need to further streamline and strengthen the administrative, financial, technical and operational wing of the Electricity Boards to improve their efficiency and effectiveness. The efforts of the Electricity Boards and those of the central agencies when properly co-ordinated at the levels of the Central Electricity Authority and the Ministry of Energy should give a fillip to the growth of the Power Sector.

Another significant development is the adoption of large size generating units upto 500 MW capacity. This will definitely help in achieving economies of scale, reduction of construction time and better operational efficiency. Work at the Trombay Power Station of Tata Electric Power Co. Ltd. to install a 500 MW unit has already started and the 2nd stage of the Super Thermal Stations envisages additions of 500 MW generating sets. The Ministry of Energy has also evolved a plan for the development of Regional and National Power Grids for transmission of power. Due to the proposal to install a large number of Super Thermal Stations with power concentration of 2000 to 3000 MW and the need to integrate the operation of the Atomic, Thermal and Hydro-Power Stations at the regional and national levels, we can ill-afford to slacken our efforts to build a strong and extensive transmission and distribution network. 400kV Grids are already in operation in the northern region and a national

TELK is growing and growing . . .

integrated operational system has to evolve simultaneously with the growth in generating capacity.

Except Kerala, practically all the other States are experiencing power shortage, either energy or capacity shortage. Chronic operational problems in the thermal stations all round the country have assumed serious proportions. Power Stations complain of inadequacy and poor quality of coal supply. It is therefore a matter of national urgency that adequate counter-measures are taken to put the existing Power Stations on full efficiency. The new Stations need urgent advance action to ensure efficient operation of the units once they go on stream. So we are very conscious of the grave responsibility to be borne by the equipment manufacturers. Besides ensuring quality and reliability of costly sophisticated equipment required for the Power System, the manufacturers should not shirk their responsibility with respect to guaranteed performance and prompt after-sales-service for the installation and operation of the equipment supplied. I am happy to say that it is the constant endeavour of your Company to give satisfaction to the customer on both these aspects.

Co-ordination between Power Industry and Other Sectors

The Ministry of Energy and the Central Electricity Authority are playing a vital role in ensuring co-ordination between the power industry and other sectors closely connected with it. I had earlier referred to the short-fall in infrastructural facilities especially transport. A serious bottleneck has developed in the transport of heavy electrical equipments which require special wagons for their transport. With 200/500 MW units coming on stream the demand for special wagons of 90/130/180 Tonne capacity has gone up considerably. Equipments have been lying with manufacturers for long periods (sometimes for even more than a year) awaiting wagons. It is paradoxical that while the equipment is ready and the project is waiting for installation of the equipment, the transport bottleneck causes delays in bringing the projects to fruition. The delays will naturally result in aggravating the power shortages and cost escalations besides the unbearable inventory cost for the manufacturer. The industry has brought this critical situation to the notice of the Central Electricity Authority which has initiated measures to move the Railway Board to procure additional higher capacity wagons to meet the crisis. I am afraid that any further delay in removing this bottleneck will lead to a very serious situation.

Besides availability of such special wagons, even the turn-around of a few wagons possessed by some of the manufacturers is far from satisfactory. Even possessing special wagons to move the heavy equipment is not a complete solution to the problem as evidenced by our own experience in view of the inordinate delay in the wagon reaching back to take the next load. So the whole operation becomes frustrating. I appeal to the Central Electricity Authority, the project authorities and the Railway Board to find a solution to the problem and to tackle the same on a warfooting failing which the Power Sector will be confronted with a crisis especially with a large number of ongoing projects where 250/500 MW sets are to be installed. Let me thank the Indian Electrical Manufacturers' Association for the vigorous steps they have taken to bring the gravity of the situation to the notice of the Governmental authorities.

Last year in my speech I had referred to the necessity for a proper Vendor Rating of the manufacturers of high voltage equipments. The State Electricity Boards and other purchasing agencies do not appear to have appreciated the point. The main concern of the purchasers of these costly equipment should be to ensure equipment longevity, easy maintenance and high reliability. I once again hope that this aspect would receive serious consideration from the Central Electricity Authority, State Electricity Boards and other Government agencies.

Global Tenders

The indigenous industry has suffered considerably due to the Government policy on global tenders especially due to the dumping prices quoted by foreign manufacturers. However, the Government seems to have understood the problems and a recent Press Note of the Government indicates that the indigenous capacity will also be taken note of by the Empowered Committee while recommending import under global tenders.

Production

I am happy to mention that your Company has been able to satisfactorily absorb the 400 kV technology and we have already commissioned the first batch of 15 nos. 400 kV Transformers of a total capacity of 1453 MVA supplied to the BEAS Construction Board. We have received substantial orders for 400 kV Power Transformers and Current Transformers and our objective is to keep up the eminent position of your Company in this field. You have seen from the Directors' Report that production during the year has registered an increase of 27% and that our capacity utilisation has been almost full, which is quite creditable.

Expansion Schemes

The Company has taken effective steps to implement Letters of Intent received for substantial expansion of manufacturing capacity of Power Transformers from 3000 MVA to 6000 MVA and to take up manufacture of Gas Circuit Breakers upto 400 kV. The feasibility study on the project has been complete and proposals are being submitted to the financial institutions for their approval. Your Company is undertaking this Expansion Programme after proper appraisal of the market conditions and I may assure you that we will be able to progressively put into effective use the additional infrastructural facilities being installed. We have already booked sufficient orders for effective utilisation of the capacity being expanded.

Working Results

The working results for the year 1978-79 have been satisfactory as is revealed from the Accounts before you. The Company has earned a gross profit of Rs. 122.56 lakhs and after providing for Income-tax the surplus left is Rs. 62.56 lakhs, from which the Directors have transferred a sum of Rs. 4.30 lakhs towards Investment Allowance Reserve. Taking into account the steady progress the Company is making in production and the sustained working results, your

to meet the power needs of the country

Directors have found it possible to recommend a Dividend of 12% to the General Meeting.

Collaboration

We have concluded a collaboration arrangement with M/s. Hitachi Ltd., for the manufacture of Gas Circuit Breakers upto 400 kV. With substantial orders on hand and with the co-operation of M/s. Hitachi Ltd., I trust we will be able to make a mark in the H. V. Circuit Breaker field also.

Let me thank M/s. Hitachi Ltd., for their unstinted co-operation and assistance to your Company.

Industrial Relations

The Long-Term Settlement with the Labour Unions representing the workmen expired on 31-3-1979. There were protracted negotiations with the Unions, in the course of which the workmen resorted to "go-slow" tactics and a virtual stay-in strike. Consequent on this the Company had to declare a lock-out effective from 18-8-1979. A settlement was reached on 9-11-1979 and the lock-out was lifted from 12-11-1979.

Policy Objectives

Since the last few months saw the Company pass through an unfortunate disturbance in the excellent industrial Relations in the Company, I would like to take this opportunity to clarify that over a long period of years, this Company has developed certain basic policy objectives. This company has been successful, because the Management believes in taking all decisions purely from a business angle, to manufacture only the highest quality products at competitive prices and to make reasonable profit. This has resulted in steady and substantial prosperity for the Company. But even while working with a firm profit motive, the Company is definitely committed to certain social objectives as a Government Company, since the profit made by the Company is not for an individual or for a group, but has to be utilised for the maximum benefit for the society in general.

So, the Company believes that they must have a satisfied and happy group of workers and officers, who are production oriented and quality conscious. They believe that the workers should definitely share in the increased prosperity of the Company and so they have committed themselves during the past few years to an enlightened Bonus Policy. Bonus at 20% is being given to the workers under the Payment of Bonus Act and Production Incentive Bonus amounting to as high as about 40% last year, went to the workers as a share in the increased prosperity of the Company resulting from their devotion to better productivity.

Similarly, the Company has a consistent policy of a reasonable Dividend of only 12%. This means that the Company believes that although the workers and the shafe-holders should share in the increased prosperity they do not want to distribute the profits between the workers and the share-holders only.

The Company believes that they should accumulate the profits, with the firm social objective of ploughing it back into the Company to undertake major expansion schemes like the one which is already completed and the very big expansion which they are launching just now. This basically ensures, that rather than distribute the extra profits among the workers and the share-holders and upset the over-all economic balance in the area and in the country, the Company would plough back the major portion of the profits, to increase the assets of the Company and provide employment to the very large category of unemployed people in this country.

I thought that since we are meeting soon after the recent difficulties on the labour front in the Factory, I should utilise this opportunity to clarify the social objectives, with which this Company is functioning, since a number of share-holders have been approaching me in the past couple of years to find out as to why we are not increasing the Dividend or issuing Bonus Shares to benefit them. The Management has no personal interest in appropriating the profits of the Company directly or indirectly, but they have this positive social objective as a Government Company and would like to continue to implement it for the benefit of the society.

Future Outlook

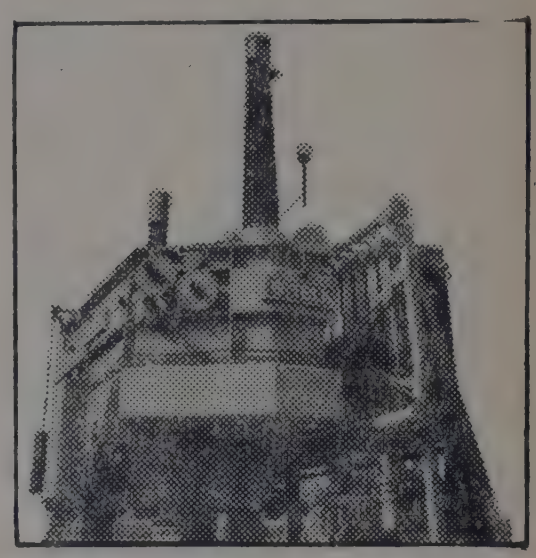
The loss of 87 working days and the "go-slow" for nearly two months which preceded it were a severe setback to our production and the continuous expansion activities. But I am sure, with the sincere and renewed whole-hearted co-operation of the workmen and officers, it should be possible to catch up and make good the loss. The Company has substantial orders on its books and even if there is a temporary fall in profits in 1979-80, the outlook for the future is bright. We shall be making our best endeavour to accelerate the production tempo and better the results substantially in future.

Let me also sincerely thank the State Government, the Central Government, the All India Financing Institutions and the Bankers to the Company for their continued support and encouragement.

(Sd-)
George Thomas
Chairman

Angamally,
29-12-1979.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.







Transformers and Electricals Kerala Ltd.

KERALA, INDIA

Kirloskar Pneumatic Company Limited

Registered Office : Hadapsar Industrial Estate, Pune-411 013

Chairman S L Kirloskar's Speech

The following is the text of the speech delivered at the Twentyfirst Annual General Meeting of the Company held on Saturday, the 29th December, 1979.

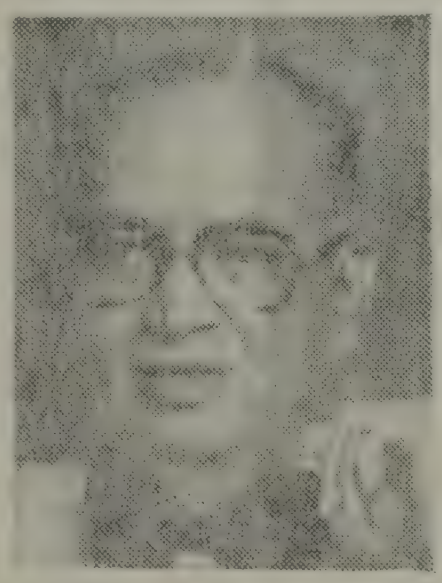
Ladies and Gentlemen,

I HAVE pleasure in welcoming you to the Twentyfirst Annual General Meeting of your Company. I appreciate your presence here and thank you for sparing your time for this meeting. The report of the Company's Directors and the Statements of Accounts for the year ended 30th June, 1979 have been with you for some time. With your permission, I take them as read.

At the last Annual General Meeting, I had referred to the unhappy developments on the labour front in the Company's plant and expressed the fear that unless the worst was averted, the consequences on the operations of your Company would be seriously adverse.

Unfortunately, sober counsels failed to prevail and my apprehensions proved true. The tragedy was that there was nothing at all at stake for the workmen to provoke themselves into a confrontation. Nevertheless a go-slow was resorted to, followed by a tooldown strike and incidents of violence. In the tension subsisting then, violence threatened the very safety of the lives and limbs of your Company's workmen, apart from the threat to the Company's properties. This necessitated the imposition of a lock-out which could not be lifted for a long time as conditions continued to be tense. The operations in your Company's plant stood suspended for 91 days on this account. When they were resumed on the 11th April, 1979, the organisation of the life lines of supply and subcontracting was materially disrupted, which adversely affected the process of restoring activity to the previous tempo and levels. Thus as a result of the very ill-advised actions on the part of workmen, the workmen themselves and the Company's operations suffered a great deal. The power cut imposed towards the end of the financial year was a further calamity not only with the unit but also with our numerous ancillaries and suppliers. Some of them were also experiencing conditions of labour disorder, which inevitably affected the flow of your Company's procurement and production. As a result, the Company had to be content with an aggregate sale of Rs 16.19 crores for the year ended 30th June, 1979, which was considerably short of the target of Rs 21 crores. The previous year's sale was Rs 18.74 crores.

Considering the very adverse conditions, I hope you will agree that the financial results achieved for the last year should be deemed satisfactory and indicative of the intrinsic strength of the unit. After providing for all



S L Kirloskar

expenses, including bonus to employees, depreciation and taxation and after adjustments in respect of previous years, the accounts of the last year showed a total surplus of Rs 61.93 lacs. In spite of the fall in sales and profits, the Company paid bonus at the maximum rate of 20 per cent because the required amount was available as a set-on from the previous years in terms of the Bonus Act.

The Directors have recommended maintaining the dividend on Equity Shares at 12 per cent which will absorb a sum of Rs 30.88 lacs. I hope, you will agree with this recommendation and accord your approval to it.

The current year has commenced with a very handsome order book; the flow of fresh orders in the first six months is also satisfactory. The turnover for the first five months of the current year is higher by about 13 per cent than that of the corresponding period of the last year and barring unforeseen circumstances, I hope, the year should end with a sizeable increase in business.

The Company's Research & Development Wing continues to make a handsome contribution to the development of new designs and adaptation of equipment to suit different applications in the country. The Company is already engaged in the process of improving and expanding its manufacturing facilities to enable it to further broaden and diversify its production base. This would naturally call for mobilisation of long term financial resources, particularly in the light of credit restrictions which may or may not abate. I wish to tell you that ways and means of finding the most economical source are being examined. However, while on the subject, I would like to repeat that Government should review the convertibility provision which entitles financing institutions to convert loans, at their option, into equity of the financed enterprise. This has been an inhibiting aspect of finance and that without any justification. The financial institutions opt for conversion in conditions of growth and prosperity and do not do so when things are not going well for the concerned company. This is not fair. In my opinion, the benefit of growth should be available only to risk capital; others should be content with a fixed return by way of interest.

Since we last met, conditions in the country have deteriorated far too much for industries to be able to operate smoothly. There is an acute shortage of materials and fuels; consequently there has been an alarming rise in their prices. This is further aggravated by increases in excise and other imposts. Industry is experiencing suspension of work by labour on minor pretexts. There has been a severe squeeze in the flow of credit and a substantial cut in the supply of power. These are clear signs of a serious setback for industries. In other sectors, the conditions are not very different. In fact, no sector of our

society has escaped these and similar hardships.

Thus, on the whole, the position obviously is difficult and the prospects appear to be grave. If industry is to emerge from such a situation, it is imperative that a few basic issues are clearly understood and are followed up by appropriate and immediate actions. I will restrict myself to deal with only a few of them.

Firstly, the Administration should take serious cognisance of the chronic problem of the shortage of power. A good deal has been said about the technical and other causes thereof. I do not wish to dwell on them at length; instead I would suggest that, in addition to whatever can be done to deal with these problems, we forthwith proceed to augment the aggregate installed capacity. In this context, it is necessary to remember that Government decided a long time ago that creation of additional generating capacity shall be only in the public sector, thus debarring the private enterprise entering the field. With my considerable experience of working of both the private enterprise and public undertakings, I sincerely feel Government has erred in deciding to depend exclusively on the public sector for such expansion. I would suggest that Government must not hesitate to reverse its earlier decision which has proved regressive. Thus there could be projects in both sectors for expansion of the power base and if they are pursued with drive, we should get somewhere around safe areas in about five years' time. On the other hand, if we remain apathetic, then undersupply is going to be a permanent feature and a serious problem for all productive activity. In other words, conditions will become static if not retrograde, and not without unpleasant socio-economic consequences.

Secondly, one has to try to minimise the impact on industry of the changes and uncertainties in the political situation from time to time. Having, as a matter of policy, subjected industrial development to planning and licensing, it should reasonably be incumbent upon Government to encourage its growth; instead we have frequently seen industry being not only derided, but also unwarrantedly maligned. To do this for the entire spectrum of industry irrespective of merit and to do this in the name of the so-called interests of the masses and the under-privileged, is not only unreasonable but also self-defeating because it is hampering a vital activity. It is also discouraging thoughts of expanding the activity, causing an irreparable damage to the community. It runs counter to the interests of self-sufficiency and technological advance; what is more serious, it also stifles the creation of employment opportunities. It is time that a greater amount of reason was brought into the thinking on this subject.

Since we met last, several kaleidoscopic changes have taken place on the political scene in India and abroad. The events in themselves have been bad enough; the prospect also does not seem to be very encouraging. Industry is not and need not be unduly concerned with the fortunes of different political parties contesting the general elections which are in the offing. What it certainly wants is a stable and purposeful administration (1) which will be realistic rather than subject to being bogged down by ideological inhibitions. (2) which will show capacity for decision making, and (3) which will go all out to encourage a step-up in industrial and business activity from which alone will emerge avenues of productive employment. The tasks before the country are of such magnitude that uninterrupted and purposeful activity by each constituent of the society alone will sustain and eventually accelerate the nation building process. I would therefore urge Government to leave industry alone to pursue the tasks allotted to it, and extend a helping hand wherever necessary.

Before I conclude, I would like to thank the Company's Bankers and other financial institutions for their assistance and co-operation from time to time. I would also like to congratulate your Managing Director, Maj. Gen. H. M. Mohite (Retd.) and his team for fairly good results achieved during what admittedly was a difficult year.

Maj. Gen. H. M. Mohite (Retd.), your Managing Director is laying down office on the 31st of this month. He has been associated with this Company from its project stage and has been at the helm of its affairs since its incorporation. With his devotion to this project, with his keenness to make it engage in diverse industries and with his concern for its prosperity, General Mohite has built this Company into a formidable engineering industry, which is a leading manufacturer in all the fields in which it is engaged. General Mohite deserves our sincere thanks and, I am sure you will readily join me and my colleagues in wishing him a restful, healthy, long and nevertheless, an interesting retirement.

Note: This does not purport to be a part of the proceedings of the Annual General Meeting.

SUBSCRIPTION RATES

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BIHAR

In a Drought-Hit Village

A S

I WALK into the Baliapur block office. There are four cabins with name plates nailed on their doors. I go to the fifth room, where the clerks sit, the most knowledgeable people in any office. I walk up to a man who I suppose is the 'bada babu' and tell him that the purpose of my visit is to see people in the village worst hit by the drought. Bada babu asks one of the clerks to look for someone. Then he turns to me: "You are coming from Patna! Ah, good. Is the government going to give us something?" He explains that non-gazetted employees of Bihar government were scheduled to go on strike from December 29, but negotiations were going on between the Employees' Federation and the state government and this being "election time" the government was expected to concede the employees' demand. "Negotiations were still going on when I left Patna", I lie in order to extricate myself. They all look dissatisfied with my reply.

Fortunately, the wanted clerk appears and bada babu asks him to give me the name and location of the worst drought-hit village. The clerk ponders for a moment. "Bhai, see, the whole block is drought-hit, there is no village to choose." I ask them about Gopinathdih, the village which had been mentioned to me by Anand Mahto, the independent marxist MLA of Baliapur. The well-informed clerk then starts muttering some other names, one of which he says is worse than Gopinathdih. I get suspicious that conditions in Gopinathdih must be very bad and express my resolve to go to Gopinathdih. I request them to tell me the route as also the name of the VLW (village level worker). After some inquiries and arguments among themselves, the clerks supply me with the details.

At the small Baliapur bazar, some 30 young boys are preparing for a 'cycle julus' in support of the Janata party candidate in the Dhanbad parliamentary constituency. They are washed and clean and well-dressed; they are, I guess, the sons of traders and moneylenders and colliery officials from the plains of Bihar and UP.

I get to Pradhan Khanta, a panchayat market of a dozen small shops. There I ask for Brahma Deo, the VLW. I am taken to a grocer's shop cum-residence outside of which a man is sleeping on a wooden cot. The VLW sits up and I introduce myself as a journalist and tell him that I had been to the block office. Suddenly his attitude changes; he is apologetic, "I was actually taking rest. I am sick."

As we walk along the pathway from Pradhan Khanta to Gopinathdih, Brahma Deo tells me that Gopinathdih is a 'jayanti' village — a village adopted by the government for 'ideal development' in 1972. Two years ago, the government had sent six mango saplings for planting in the santhal tola of the village; three had dried by the time they arrived at the village and the rest failed to take root. Brahma Deo goes on to inform me that though the government had adopted Gopinathdih as a 'jayanti' village, nothing had been done except to dig one well in each of the six tolas and that too only in the last two years. There is no school, no dispensary, no irrigation, none of the accepted landmarks of development. The food-for-work programme was started in this area (the Pradhan Khanta panchayat, which contains nine villages including Gopinathdih) but it was called off. Why? Because the government had made a rule that the contractors would not be paid any commission. This is incorrect, but the fact of stoppage of the scheme is important.

The walls of the santhal huts in Gopinathdih are plastered with 'Vote A K Roy' slogans. The santhal tola looks deserted; throughout the long passage separating two dozan huts only a woman can be seen drawing water form a well -- "that was built under the jayanti scheme", the VLW informs me. I ask him to call some men. A young boy, naked up to the waist despite the severe cold, peers out of a hut; he comes out and tells us that all the men had gone in search of work. Had you come with 'red cards', hundreds of people would have jumped on you, the VLW mutters. (A 'red card' is a ration card allotted to old, infirm and handicapped people and issueless widows for free grant of 2.40 kg of wheat per adult per week during the period of famine). Brahma Deo claims to have distributed 24 red cards in Gopinathdih but many more people keep pestering him every day. "What can I do when the circle officer has asked me to stop issuing any more red cards?" he pleads. There has been no harvest and the people are starving. But *"upar se order nahin hai to ham kya karen, boliye?"*

The fields in the undulating land are dry or full of weeds. Behind the Santhal huts is a plot where what looks like stalks of harvested paddy can be seen. "Don't mistake it for a harvest. Food became fodder this time", Brahma Deo cautions me. Last year the crop was normal but here the land is not very productive and however good the crop it does not last more than 4 to 5 months. There is no question of any saving for a probable bad year. The VLW produces a chit of paper from his kurta pocket: Gopinathdih, area 380 acres, net area sown 90 acres, families 80 (average of one acre sown per family), adivasis 75 per cent of population.

Two adult santhals arrive and they bring a cot from a hut for us. They themselves squat on the ground. Where have all the men gone? "To colliery and bazar", begins Sukhu Manjhi. "Contractors. Who else will provide a job? Mainly house building work. In Seraidhela big buildings are coming up, *sirkari* buildings [officers' flats for Bharat Coking Coal]. Now only *sirkari* building is constructed, sometimes at this colliery, sometimes at another. But not all get work The contractor wants to have only workers of strong physique. Those who are lanky and weak are turned away." I look at Sukhu and size up Jadu and the children sitting before me. They were first impoverished by the moneylenders; poverty then emaciated them and once they are weak they are declared unfit for jobs. Right behind the santhals, on the wall of a hut, the slogan is written: *"varg sangharsh tej karo; Comrade A K Roy ko vote den.* Jharkhand Mukti Morcha".

"See that boy there. His name is Lakhi Ram. He is coming back after a vain job hunt. Many like him may be returning. Anyway, it is good if a man is back home in daytime; at least his family does not live on vain hope. It

is most painful for the families whose men return empty-handed, in the evening. If the man does not return in daytime, the women and children hope that he must have got some job and will come back with at least a tiny bundle of rice. Some men hunt for a job from this place to that, this contractor to that, this trader to that truck driver and spend the whole day in vain, in hunger. Meanwhile in his home, the women and children wait, anxiously, also in hunger. Just imagine the situation when the man enters his home empty-handed after dusk." Two months ago I had been in a village in Nawadah district, where harijan labourers, completely without work owing to the drought, had said, "Last week we drank water only for four days. But we are older people and can carry on. What should we do for the children? We lull them into sleep. But you know children are children. They continuously weep and cry. We slap and kick them and order them to sleep. Tired of crying and afraid of the slapping they do fall asleep. But you know children are children. They keep waking up and breaking into tears."

The santhals eat only rice, wheat being unknown in this area. In 'normal' times they eat three times a day. But now, depending on the work they get, they eat once or twice. Hunger is a common crisis and if one man does not get any work one day, he borrows "one handful or two" from someone more fortunate.

Is there anybody who has got a red card in this village, I ask. "Not one? I have distributed four or five, haven't I?" the VLW asks the santhals. The people nod; a lad rushes off to a hut in the back row and soon an old woman walks up to us. She gets 2.40 kg of wheat every Wednesday. Is 330 gms per day enough? "Nobody starves too long here. Nobody goes hungry for three or four days in succession. For such persons the mukhiya keeps a stock of 2.5 quintals of wheat", the VLW interrupts. (The state government has declared that nobody would be allowed to die of starvation. Each panchayat has been allotted 2.5 quintals of wheat to take care of people considered in danger of starving to death.)

Brahma Deo starts saying that the previous year an SFDA (small farmers' development agency) scheme to dig an irrigation pond had been sought to be implemented here. "I busied myself for about a month, encouraging these people [the santhals] to work on the scheme, but in vain. Ask them, they fled away." There is a murmur of rebuttal from the santhals. They say "we ourselves were very much interested in the completion of the scheme. It would have provided water to the entire land of two clusters, Manjhitola and Pahaddhar. Drought would not have affected us. We had gone to DC saheb [deputy commissioner of Dhanbad] with an application. He ordered a grant of Rs 200. Before that we had raised a chanda of Rs 200 among ourselves (Rs 5 or 10 per family according to capability) and done earthwork for five-six days. The chanda was spent in payment of wages to the 25 people who put in the labour; five-six were from outside, the rest were from among us. We went to the office to take the grant of Rs 200 but we got a cold response. Then our 'malik' (leader of the group of santhals) asked us to give up. He said Rs 200 was too meagre a sum. Besides, who would run from pillar to post to get the money, who has the time to waste?"

We take leave of the santhals and move towards the cluster of huts of mahatos who, Brahma Deo says, are better off because in every family there is at least one person working in some industry or in the railways. (This was an exaggeration, but agriculture being unproductive and undependable, there is definitely a general ambition to get a job which provides security of income.) Passing through Bakabandh, the first cluster of mahotos, the VLW points to a pond. "This pond has also been constructed under the SFDA programme. The mahatos, unlike the santhals, were keen on having it. Do you see those plots? I encouraged the mahatos to sow wheat in seven acres; this was highest acreage of wheat in the whole Pradhan Khanta panchayat. Last year it rained normally, the pond was full and the wheat experiment succeeded. This time the level of water is very low and no wheat has been sown."

The VLW laughs: "Jayanti village, eh! There is no school here. Two years ago, a teacher came. He was a harijan. I presently forget his name. He was so sincere and intelligent. Oh! The whole village loved him. Young man. There was no school building; he went from door to door to raise contributions and bought bamboos and thatch and mats to give the school a physical shape. Very good master. And see this government. They said they were taking him away for year-long training. They did not send him back. He has been transferred to some other village."

We reach Badabandh, the second cluster of mahatos. Brahma Deo asks a boy to call out Jageshwar, who is an "educated man" (having passed the intermediate examination) and whose family is supposed to be one of the 'richest' kisans (*sabse achche*) in Gopinathdih. The talk in the santhal cluster had been completely survival-oriented; at Badabandh they also speak of no roads, no school building and educated unemployment. "I gave an application to the BDO for construction of this road, the one from here to Manjhitola, over two months ago. Nothing doing. Now suppose we have to call in a doctor, how will he come?" asks the 28-year Jageshwar Mahato

Jageshwar says there are a dozen educated unemployed in his village, three intermediate and the rest matriculate. *"Kheti se kuchch nahin hota hai"* he says. (Agriculture cannot sustain one.) He himself has a family of 17; two members work as gangmen in the railways at Dhanbad. It is their monthly remittances that enable the family to buy clothes, salt, pulses; everything other than rice and vegetables. "What will they do this year?" Borrow from the traders, comes the answer.

Jageshwar and his 60-year old father Bhiku Mahato do not mention the name of their moneylender-trader, but they have many stories of other people getting into the clutches of usurers and losing the whole or part of their property. About 15 years ago, a santhal of Belghutu cluster had killed a mahajan of neighbouring village Palani and had been convicted and jailed for 12 years; he died soon after he had been released. No mahajan had been murdered here since then. But Chandi Bannerji, a Brahmin, who lives at Pradhan Khanta bazar, had been taught a good lesson by the senthals of Manjhitola. He was a manager of the old zamindar and had almost the entire land of the santhals transferred in his name against petty loans. But recently the santhals beat their drums and seized back their lands and took the paddy harvest to their homes. Cases are going on in the courts. Almost all the people are fighting cases against mahajans in Gopinathdih. All this notwithstanding, Jageshwar and his father say, the people will have to borrow more from the mahajans in this year of drought.

Sugar Workers: Round Two

GO

THE proposed strike of 250,000 workers in the sugar industry in Maharashtra ended with a whimper when the union representatives accepted a pro-management award by the Chief Minister on November 27 (see *EPW*, December 1 and 15, 1979). But even as this was happening another chapter in the multilateral confrontation among rich farmers, poor peasants, workers, industrialists and the government was opening up in Kolhapur, an important sugar-based political centre of western Maharashtra.

With the opening of the sugarcane crushing season in November, the Uskari Shetkari Sanghatana, a nine-year old organisation of sugarcane growers in the region, began a struggle against the Kolhapur Sugar Cane Works and Kolhapur Sugar Mills, a privately owned complex at Bavda near Kolhapur. Demanding that the factory pay the same amount as the surrounding co-operative factories and that back arrears be given to them, peasants began a militant boycott including demonstrations and the blocking of all roads leading to the factory.

Initially the workers in the factory backed the peasants' demands with a one-day strike of their own. But the peasants were asking for full support with an indefinite strike, and for the workers this was too much; for some 6,000 of them, including maintenance staff, seasonal and temporary workers and migrant harvest cane cutters, it meant simple starvation. In addition, the peasants' blockade of all roads was affecting the very lives of those living at the factory, including their access to supplies and their children's ability to go to school. So, when the factory owners announced a lock-out from December 16 in response to the boycott, the workers mounted a counter campaign, demanding that the factory be kept open and that the government take it over and staging marches and dharnas of their own for this purpose. And so by early December, it seemed that the unfulfilled promise of the failed general strike of sugar workers was being given a final burial by this struggle which was turning into a confrontation between peasants and workers. And the confrontation itself was marked with violence on December 10 when the Shetkari Sanghatana organised a protest march to the workers' colony in the process of which three workers were beaten.

None of this, of course, was happening spontaneously. The workers were under the leadership of the Lal Nishan Party (LNP), which has the widest and most militant base among sugar factory workers and is perhaps the only one inclined not to compromise with rich peasant interests. The Shetkari Sanghatana was mobilising poor and middle peasants, but is dominated by rich sugarcane growers and those politically connected with the Peasants and Workers Party and the Janata party (ex-Socialists) were leading this struggle. The PWP has long had something of a rural base in western Maharashtra and considers this one of its political strongholds: N D Patil, the only PWP minister, comes from Sangli district and another leader Dajiba Desai, is the "Progressive Front" candidate from the Kolhapur constituency. The PWP's policy regarding worker-peasant unity is simple: let the workers follow us. As translated into issues regarding agricultural labourers it is: let the peasants first get higher prices and then we can think about giving higher wages to our labourers. And in the case of the Kolhapur Sugar Works it became: let the workers support the militant struggle of the peasants whole-heartedly and then we will see to their interests. N D Patil said as much in a rally of the Shetkari Sanghatana on December 6. Indeed, the militancy of the Shetkari Sanghatana, the blockage of roads, the shape of a fight of workers against rich Marwari capitalists was a struggle that would have been very much to the liking of the PWP — were it not for the troublesome attitude of the workers.

However, the PWP's version of worker-peasant unity and control of events was checked in practice by the growing class differentiation in the countryside. Within the Shetkari Sanghatana itself conflicts of interest between rich farmers and poor peasants began to emerge. The leaders' militant line of allowing no opening of the Kolhapur factory until their demands were met was possible for those richer peasants who could send their cane to other co-operative factories in the area or turn it into jaggery. But poor peasants without membership or influence in other factories and without the resources to make jaggery found themselves were able to do little but face continuing irrigation expenses and slowly degenerating sugar standing in the field. Many in addition were shocked by the beating of the workers. Discontent began to grow.

At this point LNP was able to intervene. It has political ties with a section of peasants in the Kolhapur-Sangli region (including rich farmers); these moved to split the Shetkari Sanghatana and organise a separate group of poor and middle peasants. Thus a meeting of the Shetkari Pratinidhi Mandal comprising some 300 representatives of 49 villages from five talukas in Sangli and Kolhapur districts took place on December 24. It denounced the policy of Shetkari Sanghatana leaders, expressed support for the workers, demanded that the government take over and run the factory and proposed to gherao chief miniser Sharad Pawar on his visit to Kolhapur the following day.

And with this the initiative passed to the workers and to LNP. Sharad Pawar cancelled his Kolhapur visit. On December 26 the factory workers, who had been staging small demonstrations in front of the candidates' houses threatening boycott if their demands were not met, managed to turn a major meeting of all political candidates held in Kolhapur's Bindu Chowk into chaos, shouting down the candidates and demanding that a stand be taken on their problems. Their fury was directed in particular at Dajiba Desai, the PWP candidate. On December 27 the Shetkari Pratinidhi Mandal organised a march of poor and middle peasants to Kolhapur. This was attacked by members and thugs of the Shetkari Sanghatana, who blocked the trucks carrying the peasants and beat them, but in this case the workers came out in support and together some 1,500 peasants and workers staged their demonstration. A united platform of workers and poor peasant unity was thus established on the basis of the demand for governmental control of the factory; or, as LNP leader Santaram Patil put it, "We've taken care of the Shetkari Sanghatana". And sugar workers joined vigorously in the demonstrations that were part of a Maharashtra-wide general strike organised by LNP on the following day.

Clearly the affair had laid bare the contradictions in the rural areas between the rich and poor peasants as well as the objective unity of interests between workers and the rural poor. It also revealed the political potential of such unity. For fragile and primary as this unity was, limited to one factory (and that too a private one which has a far different political character than the co-operatives that dominate the

Maharashtra countryside) it was still able to force the cancellation of the chief minister's visit and break up some of the electioneering going on in Kolhapur. For a time indeed the sugar workers were giving voice to a sentiment for boycott which is widespread among the urban and rural poor in this area but has found little organisational outlet.

Politically, the affair was a direct clash between PWP and LNP, the only oppositional parties with a real base in south-western Maharashtra, the first almost entirely among peasants, the second overwhelmingly among workers. (The CPI has some base in Kolhapur and a bit in the rural areas; the CPI(M) has a strong base in the powerloom town of Ichalkaranji but nothing outside of that; neither had any real stand on this issue.) It revealed some of the ongoing disintegration of the PWP base in the face of the emerging polarisation between rich farmers and poor peasants/agricultural labourers and the bankruptcy of the PWP's attempt to form worker-peasant unity under the leadership of rich peasants. In this case, it was in a real sense LNP's line of building unity between the workers and the rural poor that came out on top.

But LNP, though able to lead militant economic struggles, has not been able to give a political thrust to these. Though it takes a stand that there is no meaning to elections, no possibility of establishing workers' power, no profit in supporting any bourgeoise party and that the masses must instead establish a centre of their own, it refuses to translate this into a call for boycott. Instead its position is that people should vote for whichever of the worthless parties they want, but vote — which comes down to "the choice of any political party is just as much a private matter as someone's religion", as party leader S K Limaye said in an interview to the Marathi magazine *Tatparya*. (This line in fact emerged as a compromise between those in the party leadership who wanted to support Indira Gandhi and those who stood for an independent political centre of the workers.) As a result it is having no political effect in the current electioneering atmosphere. In addition, LNP in the Kolhapur area has been indifferent to and unwilling to relate to the other important peoples' mass movement, the dalit movement; here too, except for slogans, economism is the result. Nevertheless, the Kolhapur sugar workers' struggle has been an intriguing indication of the political and class complexities of this area and perhaps a pointer to fighting alliances that may yet develop.

MEGHALAYA

Dividing the People

THAT a 'mass movement' without a correct political direction can, and often does, lead to its being taken over by reaction is once again being demonstrated in the ongoing agitations in the northeast. Such agitations are also ill-prepared to meet the onslaught by State power, for even though such disruptive agitations have been known to be covertly encouraged by the State itself with a view to sowing confusion and divisions among the working people, beyond a certain point, it is also considered necessary to suppress such agitations ruthlessly. The developments in Meghalaya may thus prove to be a pointer to the shape of things to come in Assam and other regions of the northeast.

For, consider the facts. The promulgation of the Meghalaya Prevention Detention Ordinance, 1979, appears to have been almost wilfully brought upon by the events since the middle of October last. And just when the situation appeared to have come under control, a fresh series of incidents since the middle of last month starting with the most daringly and almost professionally executed ambush and murder of a Maghalaya MLA and his companions while they were on their way to Tura from Shillong has once again led to further worsening of communal tensions. The protest demonstration organised in Shillong against the murders and attacks on 'minorities' in Meghalaya (an euphemism for Bengalis) was considered 'provocative' enough to invite retaliation in the shape of further attacks and killings which, on official admission, have reached 12.

Simultaneously, the agitation in Assam for postponement of Lok Sabha polls also appears to have found an echo in Meghalaya, and the election to the Lok Sabha from the Shillong constituency has been forced to be put off — for the same reason as in 12 of the 14 constituencies in Assam, where no candidate was allowed to file nomination papers. In Shillong, the boycott of the Lok Sabha polls is ironic because only days before the leaders who were to organise the boycott had themselves merged their various factions into a single party — the Hills National Union — with a view to fighting the elections. But the HNU appears to have been a non-starter, and not merely have the elections been put off, but the leaders of the HNU have themselves been detained under the provisions of the Meghalaya Preventive Detention Ordinance. It is true that the series of incidents in Meghalaya since the third week of October have been of a rather unusual kind in a state till now relatively free from communal tensions, though prolonged periods of curfew extending over weeks or even months, setting up of refugee camps, arson and murder have all been common coin in incidents of communal violence in the rest of the country. But the whipping up of such sectarian and divisive feelings has been more intense, and has been achieved over a much shorter period of time and, moreover, does not even have the kind of 'rationale' offered, for instance, by the neighbouring chauvinists in Assam.

It is in this context that one has to view tthe curious feature of the agitation in Meghalaya — the apparently symbolic 'fraternal' participation from Assam. Such 'fraternal' participation does appear curious against the background of the events that led to separation of the two hill districts from Assam and their constitution into the state of Meghalaya.

Whatever be the way in which the crisis may develop in the northeast, an immediate fallout of the crisis has been the PD Ordinance. Even more disturbing has been the fact that the promulgation of the ordinance has not been opposed in the rest of the country, or even in the northeast, unlike on earlier occasions when attempts to revive PD in one form or another were all vigorously opposed. Already, the caretaker government has made a provision for PD (of sorts) whose ostensible purpose is to discourage malpractices in trade; now, one of the states in the northeast has a provision for preventive detention of any person without trial for six months with the object of "maintaining security in the state". Tomorrow, it may be the turn of the other states too to have a taste of similar ordinances whose avowed purposes are maintenance of security in the state, but whose ultimate uses are by now all too familiar. It appears as if the gift is being gratuitously offered to the government.

CPI

Authoritarianism and Communists

Ajit Roy

S A DANGE, chairman of the CPI till his resignation a few days ago, is known to be vehemently opposed to his party's new line of opposition to Indira Gandhi and alliance with the CPI(M). In any angry note submitted to the Party (large excerpts from which have been published in a New Delhi daily) he has sought to give a 'profound' substantiation of his position.

Dange holds that Indira Gandhi is "a representative of the patriotic national bourgeoisie which is intrinsically anti-monopolist . . ." He seeks to bolster up this argument with statistical data. Quoting figures to show that the share of the private sector in gross capital formation during the last three years of Indira Gandhi's rule had declined from 19.7 per cent to 10.1 per cent, he concludes: "It would be clear that the private sector has slowly declined by about 50 per cent between 1974 and 1977..."

Is it due to ignorance or by way of a deliberate sleight of hand that Dange has equated the share in the gross capital formation for three years with the position of the private sector in the economy? Because of the supposedly faster growth rates of gross capital formation in the public and household sectors, Dange tries to play down the significance of the rise of the assets of the 20 monopoly houses by 38.5 per cent from Rs 3,688 crores in 1972 to Rs 5,111 crores in 1976. While juxtaposing these dimensions, he does not seem to realise that the household sector embraces 650 million of Indian population whereas the 20 monopoly houses are owned by about as many families. Further, a Marxist should also know that the 'public' sector in a mixed economy with a functioning private monopoly sector is not so public in reality; on the contrary, the public sector in these circumstances plays the role of a subsidiary to the private sector.

Dange goes hammer and tongs at the charge of authoritarianism levelled against the former prime minister — "the slogan of authoritarianism betrays our ignorance of the Marxist-Leninist meaning of the term", he says. "Authoritarianism", he expounds, "was a slogan raised by the socialists in the latter half of the last century in Europe demanding 'the abolition of the state at one stroke even before the social conditions that gave birth to it have been destroyed' as the first act of the Revolution, as Engels has explained. The slogan arises at a particular stage of development of large-scale industry and agriculture and its superstructure as in the present day India. Obviously, *anti-authoritarianism is a slogan of the monopolists, reactionaries and adventurists* ..." (emphasis added). "Anti-authoritarianism", Dange repeats, "was, therefore, a slogan invented by the monopolist bourgeoisie supported by imperialism in order to force the Indira Gandhi regime to change the direction of her economic development and self-reliance without foreign aid to a direction of unrestricted growth of monopolies and without any curbs on foreign capital and profits".

Dange is obviously referring to Engels' article entitled "On Authority", originally written in Italian in 1872-73 against the anarcho-syndicalist trend in the European socialist movement. One cannot but wonder at Dange's audacious perversity. How does his elaboration square with the facts that one of the first public demonstrations in support of the proclamation of the Emergency was organised by the Federation of Indian Chambers of Commerce and Industry while the Indian working class, of whom he claims to be one of the top leaders as the AITUC chief, was immediately deprived of its hard-won right to bonus. Indeed, the formal Emergency had been preceded by its dress rehearsal when the railway strike had been suppressed with utmost brutality a year before.

Dange vainly tries to give a theoretical gloss to his perverse outpourings by invoking Engels. In his article, Engles deals with the question of authority at two levels. First, that a modern society with its complex production system cannot do away with authority. Any novice in Marxism should know that authority as such has nothing to do with an authoritarian state or, for that matter, any state, since state is specifically the *political* authority of the ruling class for holding down the oppressed and exploited class or classes.

Secondly, Engles deals with the question of the withering away of state power after the socialist revolution, as is evident from the lines quoted by Dange himself. It has nothing to do with the authoritarian, anti-democratic, or counter-revolutionary transformation of state power in the hands of an exploiting class. According to Dange's interpretation, communists should not fight for democracy at all — a point of view which has nothing in common with Marxism.

By confusing authoritarianism with authority in general and the proletariat's need for retaining the state (though in an altered form and of a different character) after the overthrow of the bourgeoisie, Dange provides an alibi for counter-revolution.

Engels concludes his article "On Authority" by saying: "... either the anti-authoritarians don't know what they are talking about, in which case they are creating nothing but confusion; or they do know, and in that case they are betraying the movement of the proletariat. In either case they serve the reaction". If 'authoritarianism' is substituted for anti-authoritarians', then the above lines are fully applicable to Dange's latest exercise.

Carbon Corporation

CARBON CORPORATION has taken up phased backward integration of its plant with a view to achieving self-sufficiency in raw materials. The first stage is expected to be completed in about 8 months and is intended to be financed primarily through internal resources. As demand for graphite electrodes continues to be on the rise, the company has registered with DGTD its intention to expand output to 10,000 tonnes per annum. In the current year, till mid-December 1979, the company has sold 1,715 tonnes of electrodes valued at Rs 4.03 crores. It has imported baked blanks to maintain steady production. According to Mukul Harkisondass, chairman, a substantial improvement in supply of power should enable the company to increase output and improve upon the good results of 1978-79. Last year, the company earned a gross profit of Rs 113 lakhs against Rs 44 lakhs in 1977-78 following sales of Rs 6.55 crores against Rs 3.06 crores and it paid a maiden dividend of 10 per cent.

NEPAL

Old Uncertainties

Mohan Ram

ABOUT eight months after King Birendra's promise of a referendum on whether Nepal should revert to a multiparty system, old uncertainties persist. The surface calm conceals lurking fears and apprehensions about the nature of impending political changes.

All the political parties continue to be illegal but all of them have come alive — the Nepali Congress, the pro-Beijing communist parties (at least three of them), the numerous Marxist-Leninist groups and factions, and of course the pro-Soviet Communist Party which has all along been part of the Establishment and whose leader continues to be a member of the Rajya Sabha, the council dominated by the King to advise him.

The foremost fear is that the referendum might be put off indefinitely and the King was only buying time in May when he surprised the political parties with his unilateral offer of a referendum. Lending credence to this view are a few developments: the growing incidence of political violence, engineered by the pro-Panchayat elements who perhaps want to provide the King with the alibi for going back on his referendum promise. Another disconcerting development is the proposal to hold elections to fill a third of the seats in National Panchayat (equivalent of Parliament in present setup). Though no time-table for this has been fixed, the move to fill seats yet to fall vacant in a body whose very continuance is the issue at the referendum raises doubts about the King's bonafides.

There are, however, equally convincing pointers both ways. Though under heavy pressure from his entourage and the *panchas* not to hold the referendum (for which no time-table has been fixed though it is generally expected sometime before May 1980), the King, it is pointed out, has made an 'international' commitment (he referred to the coming referendum in the course of one of his pronouncements in Beijing during his recent visit) and is bound to it. At the same time, the present government and its Prime Minister have been openly campaigning for the continuance of the panchayat system, projecting this as the King's own wish. The non-changers may be expected to go all out to win the referendum against the votaries of the multiparty model.

There are also doubts about the fairness of the referendum. It is argued that the King would not have offered to hold the referendum unless he was very sure of winning it — whatever the people's choice. Except for B P Koirala, known for his moderate line, other leaders including his own colleague Ganesh Man Singh have been demanding that the present government step down and a neutral government of 'technocrats' (a vague demand this) run the country until the referendum. Ganesh Man Singh even told this correspondent that if his party is convinced that the referendum is going to be rigged they might have to think of boycotting it. In a fair referendum, he feels, the multiparty model will get about 95 per cent of vote.

There have even been suggestions that the King might pre-empt the referendum by allowing a multiparty system straightaway. It could well be that this bit of kite-flying has been inspired by the King himself, for, if he is sure that the referendum will go in favour of the multiparty system, there would be little point in going through a costly exercise. He could straightaway restore the multiparty model which obtained until the royal coup in 1960 after a brief experiment with democracy, and a limited one at that. Nepali Congress leaders deny that there have been any direct suggestions of this nature from the Palace; and Ganesh Man Singh feels such a concession would lack legitimacy and he would rather win it through the referendum.

The issue is not merely one of a partyless system *versus* a multiparty system. It is theoretically possible the King will restore the multiparty system, but retain the same monarchic constitution which obtains now. Sovereignty now vests in the King who can overrule Parliament on any issue. Restoration of a few rights and a multiparty system as a benign gesture from the King would add up to little because the demand is for democracy, with the King's role limited to that of a constitutional monarch.

The more optimistic among Nepal's political leaders feel that the country's process of transition to democracy has already begun. In spite of the twists and turns that might await in the immediate future, the process itself cannot be reversed. B P Koirala thinks that the King need not have announced the referendum if he had no intention of holding one. He and the King have the same analysis of the situation, though as he says they might have arrived at it through different kinds of reasoning. If the King were to go back on the referendum offer, it would be a throw back not to the pre-1960 royal coup situation, but worse — rather like Zia's Pakistan. Other leaders of Koirala's party and of the pro-Beijing communist parties do not however share this optimism of a free and fair referendum.

If the referendum is held, whatever the outcome, Nepal would be sharply polarised between forces of change and forces of status quo. Even the King would be 'a divided self' after the referendum. If the *panchas* snatch a victory, the forces of democracy would not give up the fight. The King, no more able to claim that he represents the whole people, would have to play a balancing role. Similarly, if the multiparty system wins, it would clash with the powerful feudal and oligarchic interests that the present panchayat model represents. In such an event too, the King would have to do a bit of tight-rope walking.

It is also conceivable that if elections were to be held under a multiparty model, those who now comprise the ruling group would constitute themselves into a Panchayat Party. There is already a move in this direction. The Panchayat Party would then try to win the elections against the multiparty votaries who are united now for the referendum but would be divided once the multiparty system is allowed and actual elections are scheduled. But as Manmohan Adhikary, leader of one of the pro-Beijing parties, told me, even that would be a welcome development. There has to be a multiparty system and a democratic constitution first. After that it would be a contention among the parties which might include the projected Panchayat Party.

Constitutional Proposals for a Consensus Government

S V Kogekar

MOST observers and many party leaders have stated that no single party is in a position to secure an absolute majority of seats in the Lok Sabha in the mid-term poll. This implies the establishment of a coalition government at the Centre. But the experience of coalition governments in the states (with the exception of Kerala and West Bengal) and the recent attempt in that direction at the Centre do not inspire confidence in their continued viability over a period of five years. In the first place, such coalitions have taken place purely as a device for sharing in power without any agreement on a programme of action. Secondly, personal ambitions have tended to encourage defections and manipulations among the partners in these coalitions, leading to a state of instability in the government. No firm policies can be pursued in such a situation, the sole aim of the ministers being to stay in power and of ohers to replace them at any cost. Coalition governments become not only weak governments in many cases even non-governments, putting off vital decisions or taking them only on paper without the least effort to implement them.

There is nothing in our experience of coalition governments which indicates a way of ensuring that the supporters of the coalition will continue to support it over a given period of time. All that one can hope for is that public opinion will be strong enough to compel the coalition partners to agree on a minimum programme and to carry it out faithfully. The role of the President in the situation may very well be that of a catalytic agent, bringing the partners in the coalition to accept an agreed programme and to keep working together for its implementation.

One of the priority items of legislation which the new government must bring before Parliament has to be a suitable anti-defection bill. However, even when such a measure is enacted, it will not solve the problem of instability because it will still be possible for a party as a whole to withdraw its support to the government and help to topple it. Again, the only remedy against such action, in the present constitutional situation, is the force of public opinion which must be created, maintained and expressed in no uncertain terms.

One cannot however expect that the habits of our power-hungry politicians will change overnight or that an apathetic public will suddenly start asserting its opinion with a force and clarity which it has not been used to display. The unprincipled creation as well as break-up of coalitions is therefore distinctly on the cards and the country may be faced with the prospect of yet another mid-term poll and a non-representative care-taker government. The holding of fresh elections in January 1980 will then prove to have been an exercise in futility. The mass of voters might then begin to show their disgust of the wasteful parliamentary system by demanding or acquiescing in the establishment of some kind of authoritarian rule.

Already there is a growing feeling of disappointment with the working of the parliamentary system at the Centre and in the states. A repetition of the experience of August 1979 may further strengthen the hostility to that system. With the Constitution as it is, there is no built-in device to ensure stability, nor indeed a satisfactory method of dealing with a situation where the Central government cannot be carried on in accordance with the provisions of the Constitution. It is therefore necessary to consider whether, and if so what, changes must be made in the Constitution in order to deal with these contingencies.

Several models have been suggested as alternatives to the present system of parliamentary government. However, in the light of our experience of the working of the parliamentary model (with which we were more familiar than with any other model before Independence), one must be very cautious in accepting any such model without making allowances for the differences in historical developments, social conditions and political values which exist between this country and those from which the models are derived.

The question therefore is whether without making any changes in the basic structure of the present Constitution, it can be so amended as to provide a solution to the problem of instability. Taking into account the high cost of elections, the widespread opposition to incurring that cost often and often, the urgency and pressing demand for taking various policy decisions affecting the welfare of the people and the need for preserving the democratic system of government, the following suggestions are put forth for serious consideration :

(a) When the President finds and proclaims that no single party or coalition of parties is in a position to command the support of a majority in the Lok Sabha, the Constitution should provide for the automatic formation of what may, in the absence of a better name, be called a 'national' government.

(b) The 'national' government will consist of 25 ministers of cabinet rank who will be elected by political parties securing a certain minimum number of seats in the Lok Sabha, in proportion to their numbers in that House. The eligible parties may be free to elect as ministers their members from either House of Parliament provided that at least two-thirds of those elected belong to the Lok Sabha.

(c) The Prime Minister will be elected by the party securing the largest number of seats in the Lok Sabha from among its members in that House. The Prime Minister will distribute the portfolios to his colleagues.

(d) The party system should be accepted as a necessary element in the Constitution and appropriate legislation should be passed for laying down both the criteria for the recognition of parties and the rules for their democratic functioning and for requiring them to maintain proper accounts and publish them duly audited. In order not to encourage the formation of small regional, communal or sectional parties, the minimum number of seats required to be secured by a party to make it eligible to elect ministers should not be too small; 20 could be a reasonable minimum in this regard.

(e) If any party which is entitled to elect members for inclusion in the cabinet declines to do so, it may remain out of the government and be a part of the opposition along with ineligible parties and independent members. Its seats in the cabinet will be filled by the other eligible parties on a proportionate basis by the same method of election as before.

(f) Once a government is formed in this way, it will not be removed during the full term of the Lok Sabha or such part of it as has still to expire as the case may be. Casual vacancies in the cabinet will be filled by election by the respective parties as before. No parties in Parliament will be permitted to merge in or coalesce with others during the tenure of the 'national' government unless all their members resign their seats in the House. Votes of no-confidence will obviously not be permitted during the tenure of the 'national' government. The verdict of Parliament will be final in all legislative measures.

(g) During the first month of the formation of the 'national' government, the cabinet will spell out an agreed programme of action and place it for acceptance before both Houses of Parliament. Parliament may modify it by means of concurrent resolutions passed by simple majority in each House. The programme as modified will be implemented by the government during its term of office.

(h) A code of conduct will be drawn up for ministers by agreement among the various parties participating in the government. The Prime Minister shall see to it that the government functions as one whole, and he should be entitled to ask for the resignation of any of his cabinet colleagues for violating the code of conduct. Similarly, the parliamentary parties may ask for the resignation of any of their members in the cabinet including the Prime Minister and elect other persons in their place.

(i) The 'national' government envisaged above will be in the nature of a temporary device and will not be a permanent substitute for the parliamentary system provided for in the existing Constitution. Similar provisions should be made in respect of the states in similar circumstances. President's rule should give place to a government on the above lines where there is a breakdown of the normal constitutional provisions for the government of the states. This will put a stop to the manipulation of the state governments by the Centre besides providing stability to those governments.

There is no doubt that the 'national' government formed as indicated above will be a weak government as its policies will be based on a compromise among participating parties. But this is what the voters must be presumed to have willed when they did not elect a single party with a majority and when the parties elected were unable to form a coalition government with the requisite support. The voters will have a chance to rectify the situation at the following general elections.

The main advantage of the above proposals will be that it will do away with the need for a premature dissolution of the Lok Sabha or the Legislative Assembly as the case may be, encourage the development of a consensus in the functioning of the government even when the normal form of parliamentary government breaks down, put a curb on defections and splits, prevent instability and unsettlement in the normal life of the community and thus strengthen the forces of democracy.

Events since August 1979 have made us aware of the existence of a lacuna in the present Constitution in that it makes no provision for the government at the Centre when no single party or a coalition of parties can secure the support of a majority in the Lok Sabha. The solution in the form of a caretaker government and dissolution of the House is fraught with grave dangers where the election of the new Lok Sabha may take as long as five to six months and where natural calamities or external developments may call for vigorous action which the caretaker government is least capable of taking. Besides there is the larger question of the people's faith in democratic institutions which is likely to be greatly undermined by frequent resort to a mid-term poll. An amendment of the Constitution for the purpose of the formation of a 'national' government on the above lines would fill the lacuna noticed earlier without changing any of the basic features of the Constitution.

December 29, 1979

Godrej and Boyce

GODREJ AND BOYCE MANUFACTURING has introduced the new 'PB' typewriter which compares very favourably with the latest models in the world market. It is available with keyboards in Hindi and regional languages. It will be shortly introduced in the international markets with special keyboards in Thai, Russian, Arabic and European languages. Keyboards in European and other languages can be designed to meet specific requirements. The new model incorporates several design innovations that ensure sturdiness and reliability. Godrej today is the largest manufacturer of typewriters in the country.

Centre for Development Studies

Ulloor, Trivandrum-695 011

The Centre is looking for young social scientists (below 30 years as on January 1, 1980) specialized in development problems with good academic record and strong research interest for the posts of Research Associates. The candidates should show evidence of ability for independent high quality research by way of doctoral dissertation or other published and unpublished papers. Research Associates, while free to pursue their own research interests, will also be expected to contribute to the teaching and research activities of the Centre.

Selected candidates will be placed in the scale of Rs. 700-40-1100-50-1600, at the appropriate level depending on their qualifications. Applications in the prescribed form (to be supplied on request) should be accompanied by at least one copy each of their thesis or research papers. In addition, candidates should provide a brief statement of their current research activity.

The applications should reach the undersigned within four weeks of the publication of this notification. Those called for interview will be paid return second class fare by rail.

DIRECTOR

Indonesia: Continuity of Foreign Domination

Alec Gordon

Indonesia : An Alternative History by Malcolm Caldwell and Ernst Utrecht; Alternative Publishing Cooperative, Sydney; paperback, pp 208, $ A 9.50.

MALCOLM CALDWELL completed his part of this coproduction not long before his tragic death in Kampuchea that was such a deep personal and political loss to the left in several continents. He and his exiled Indonesian comrade Ernst Utrecht have successfully produced a good, short and popular history of Indonesia — probably the first written by actual Indonesian specialists. 'Popular' refers to the style and its wide appeal. The authors' scholarship is evident throughout but is worn lightly. Of course, compressing Indonesian history into 200 pages involves omissions but the concentration on relatively modern times is logically consistent with the authors' convictions that the study of history should assist us in understanding and changing contemporary society. So the first 60 pages (mainly socio-economic) by Caldwell takes us to 1945. The next 25 pages, written jointly, cover the Indonesian Revolution 1945-50, the rest, by Utrecht, takes us to 1978 and there is a very good set of references.

Caldwell's analysis of the development and the effects of modern colonialism in Indonesia is outstanding. His treatment of developments peculiar to Indonesia is securely situated within a general analytical framework of imperialism. He emphasises the retarded nature of Dutch capitalism and its junior status amongst the colonial powers that made Holland a protege of the British. Then with the weakening of British imprialism the influence of Japan and America grew in colonial Indonesia. In this light he describes the inter-war scheme of the British rubber plantations based in Malaya (and also in Sri Lanka and India) to control world rubber production and force prices up. The scheme's success depended on restricting small-holder production and in this the Dutch colonial government and planters co-operated whole-heartedly. The scheme eventually foundered as the combined result of opposition from US imperialism (the main consumers), of the great depression and of the ingenuity and efficiency of Indonesian smallholders. Caldwell also highlights the eventually successful battle of America's Standard Oil to get a foothold in Royal Dutch-Shell's colonial Indonesia. Indeed I interpret Caldwell's argument to mean that the most important development in 1930s was *not* the growth of national Indonesian capitalism but the accelerated growth of foreign capital, particularly non-Dutch. This challenges the orthodox American scholars' view that an Indonesian entreprenuerial revolution occurred only to be cut down by the accident of the Japanese occupation and that its revival was prevented by President Sukarno's odd economic theories. In Caldwell's analysis the Japanese presence was no more an accident in 1942 than its reappearance together with American capitalism in contemporary Indonesia. The continuity of foreign domination and the permanent insignificance of an indigenous bourgeoisie have to be recognised as an integral part of Indonesian development.

Particularly important for non-specialists (and for many specialists too) will be Utrecht's interpretation of the coups of 1965-66 that brought the present dictatorship to power. He argues convincingly that

(a) there was *no* attempted communist coup; this notion serves purely as a myth to legitimise the army takeover and subsequent repression and to 'justify' the frightful massacres of 1965 and 1966 in which nearly a million people were butchered;

(b) a putsch *was* launched in 1965 by pro-Sukarno junior army officers (the September 30th Movement) against the reactionary and corrupt top political clique of the army (the 'council of generals');

(c) all the army leaders on the plotters' list (which significantly excluded the name of General — now President — Suharto) were then killed or badly wounded;

(d) Suharto, commanding the Strategic Reserve, had foreknowledge of this coup but informed no one and took no steps to prevent it;

(e) Suharto acted on the afternoon of October 1 only after President Sukarno had appointed as the new commander-in-chief a bitter enemy of Suharto; Suharto refused to accept his authority, took over control of the army himself and swung into action quickly to crush the putsch;[1]

(f) the communists were then blamed for the unsuccessful coup, the physical annihilation of the communist party took place and the overthrowing of President Sukarno by the army began.

Elsewhere Utrecht, using his own pioneering work on the failure of the green revolution and the spectacular multibillion dollar collapse of the army-run state oil corporation, shows just how wrong the sunshine stories about the World Bank's 'showcase state' are.

But in what sense is it an *alternative* history? Alternative to what? The authors do themselves less than justice by saying it is 'Asia-centric' and 'Indonesia-centric' because there do exist 'Indonesia-centric' works that merely set the colonial account on its head and invent new, nationalist, myths that serve the new *status quo*. Caldwell and Utrecht don't do this. But they have had a problem to grapple with. To write a general 'alternative' history implies that more specialised or partial 'alternative' studies and ideas (and political movements) already exist that have destroyed specific bourgeois myths. Such Indonesian studies, however, do not exist in sufficient numbers. For example, there has been no debate on the mode of production in Indonesian agriculture — presumably because potential participants in such a debate have all been murdered, imprisoned or are underground. Hence, for much of the time our authors have had to 'do it themselves' as they went along. Not always successfully. For example Caldwell, after adopting quite properly the interpretation that Indonesia's economic and trading organisation was superior to those of the 16th

century European trader-adventurers, then adopts the view that Islam had already been 'modernising' Indonesia. The meaning of this notion is unclear (except to form the basis of a particular patriotic myth). And of course 'modernisation' is itself a concept that has no place in Caldwell's overall approach. The chapter on the Indonesian Revolution is rather orthodox and the section on the Sukarno period, despite its wealth of detail, does not fundamentally provide a new perspective.

But then shortcomings are in the nature of such a pioneering venture. The book stands both as a challenge to active specialists properly to analyse the internal contradictions of contemporary Indonesia and as a stimulating and profoundly informed introduction to Indonesian society. Its only 'Eurocentric' feature is the price. Can an enterprising Indian publisher produce an Asian edition?

Note

1 For detailed accounts of these aspects of the military coup see the articles by Wertheim and Holtzappel in the special "Indonesian Number" of the *Journal of Contemporary Asia*, Vol 9, No 2 (1979).

Employment Generation in Asian Agriculture

J N Sinha

Labour Absorption in Asian Agriculture by S Ishikawa; International Labour Organisation, Bangkok, 1978; pp iv+101, $ 3.

Labour Absorption in Indian Agriculture : Some Exploratory Investigations by P K Bardhan, A Vaidyanathan, Y Alagh, G S Bhalla and A Bhaduri; International Labour Organisation, Bangkok, 1978; pp xiv+216, $ 3.

SHIGARO ISHIKAWA's monograph on "Labour Absorption in Asian Agriculture" and the papers by Bardhan, Vaidyanathan, Alagh, Bhalla and Bhaduri on India form part of the series of studies on "Employment Expansion in Asian Agriculture" initiated by the ILO Asian Regional Team for Employment Promotion in 1978. Each of these two publications has a preface by K N Raj which describes the scope and purpose of the project and presents an excellent summary of the papers that should give the huried reader a broad but clear view of the main findings of these studies. As Raj observes, the project is designed to identify the factors which account for large variations in labour use per hectare in agriculture such as are illustrated by the contrasts between Japan and other countries of East Asia on the one hand and those in South and South East Asia on the other, and to draw policy inferences for generation of productive employment.

In his monograph Ishikawa reviews the historical experience of labour absorption in Japanese agriculture, examines the similarities and differences in the experience of Taiwan, as also of China and analyses the findings of studies conducted in selected areas of the Philippines, Indonesia, Bangladesh and India. He presents the basic data on output and labour input per hectare of rice cultivation as well as total agricultural production in these regions and brings out the contribution of technological factors (and of institutional framework in some measure), to large variations in labour absorbability of agriculture, especially those between Japan and other Asian countries. The main value of his study, however, lies in identifying the analytical issues to which research must be addressed in order to provide meaningful results for employment planning. He also describes the use and allocation of labour in rural household within the framework of a household welfare maximising model incorporating non-agricultural employment opportunities and the impact of particular forms of social organisation apart from the conventional micro-level variables, but this part of the study is neither comprehensive nor well-integrated with the main theme relating to the conditions for exploiting the technological possibilities of labour absorption in agriculture.

The data presented by Ishikawa (also by Vaidyanathan and Jose in Annexure I of the second publication) support the well known fact that yields and labour use per hectare in Japan (and, in some measure, China and Taiwan) are significantly higher than those obtained in South and South East Asia. Another fact implied in the data, but not highlighted in any of the studies, is that even in Japan which is the classic case of labour intensive agriculture, the labour co-efficient of output is significantly low compared with other countries. As the final targets of a plan are fixed in terms of output, the parameter of ultimate significance is the labour co-efficient of output. The measurement of this parameter and its variability in response to techno-economic conditions is of direct concern to planners.

An interesting observation in Ishikawa's monograph is that while labour use per hectare in rice cultivation in Japan is high, it has been declining over time. The high levels of labour use have, however, been maintained by multiple cropping and, in particular, by the growth of highly labour intensive crops, such as, cocoon production which is supported both by technological advances as well as export promotion policies. Further, since climatic conditions restrict the growing period for crops, a fairly large measure of mechanisation was a necessary condition of the increase in cropping intensity. However, he observes that in countries in lower altitudes where the length of the growing season is not so restricted, similar mechanisation may be redundant.

Reviewing the experience of Taiwan, Ishikawa highlights the role of irrigation and drainage, improvement in cultivation techniques such as relay inter-planning, the development of seed varieties with short growth span, selective mechanisation, such as mechanical threshers and dryers which substitute for land in some measure, and above all, the role of institutions such as farmers' association in securing efficient management of land and water. The review of information from selected studies in the Philippines, Indonesia, Bangladesh and India illustrates the variability of technology-mix in different phases of agricultural development.

On the basis of the review of technological and institutional conditions which account for large variations in labour use per hectare, Ishikawa pinpoints a number of analytical issues which must form the focus of further research. Irrigation is universally accepted as a necessary condition for increasing the intensity of cultivation. What deserves particular attention in further research is the multi-dimensional nature of this variable, the need

to explore the extent to which its success requires that it is combined with flood control and drainage measures, the extent to which it is to be used as a supplement to rainfall or in addition to it in order to develop cropping intensity in the dry regions and the particular techniques which would permit most efficient use of available water, such as the rotational method of irrigation in Taiwan or some other variant suited to the different types and intensities of multiple cropping. Secondly, he mentions that the types and degrees of agricultural mechanisation would depend on which of the set of operations needs to be mechanised to overcome the constraints imposed by region-specific agro-climatic conditions. Two issues identified by Ishikawa should be of particular interest to economists and policy-makers alike. First, where techniques are competitive in the sense that they have the same effects on labour intensification of agriculture, they give rise to economic choices which require measurement of their relative cost and efficiency dimensions. Second, in order to translate technological possibilities of labour absorption into realistic plans of agricultural development, demand constraints must be given due cognisance.

Unlike Ishikawa's monograph which gives an overview of the problems relating to labour absorption in Asian agriculture, the three papers on India test specific hypotheses, focused on particular dimensions of the problem. The concern with institutional aspects forms the special feature of Bardhan's analysis. Vaidyanathan claims departure from the conventional framework by treating the bio-physical factors as prime determinants of yield and energy use as being dependent on these factors. Alagh *et al* seek to establish that inter-occupational shifts provide the causal link between the growth of yield and workforce in agriculture.

Bardhan rightly observes that the sharp agro-climatic contrasts between Japan and countries of the South and South East Asia restrict the replicability of the Japanese model of labour absorption in agriculture, even though useful lessons may be drawn from the underlying institutional and infrastructure facilities. He restricts his analysis to three districts with comparatively homogeneous agro-climatic cultural environment. His analytical framework uses a production function with a multiplicative shift factor (the yield increasing technology and the institutional framework being the two shift parameters) and a form of labour demand function which are put together to derive a linear equation that posits employment as a linear function of yield increasing inputs, institutional framework, average size of farm, wage rate and bargaining strength of workers. The equation is translated into a set of regression models which are fitted to the farm level data of the Farm Management Studies in West Godavari, Tanjore and Hoogly and a large sample of farm households in West Bengal covered by NSS in 1972-73.

The regression analysis confirms the expected, and commonly observed, positive increase in labour use per hectare with yield increasing technological improvements, such as irrigation, fertiliser, multiple cropping and HYV. Farm size and wage rates are negatively related to total labour use per hectare. The employment of hired labour, however, improves with farm size.

Attempt is also made to quantify the impact of institutional constraints on labour absorption, but their specification is far from adequate to yield meaningful and significant results. For example, tenancy has been taken as an important aspect of the institutional framework, but if it does not show significant association with labour absorption, it may be because the effects of feudal and commercial tenancy flow in opposite directions which Bardhan is aware of, but unable to account for in his statistical analysis. Similarly, the bargaining strength of workers is measured in terms of access to additional employment opportunities to persons in villages which lie close to towns or better connected through rail transport, even though it may have little weight if it is access to low wage, labour surplus areas. Also, no account is taken of the countervailing influence of collusion among the employers.

A major limitation of Bardhan's analysis, however, arises from over-simplified specification of the econometric models. The unilateral causation implied in single equation regressions, restricts the policy significance of their results. For example, it does not help very much to know that reduction in wage rate increases employment, for it may turn out to be employment at poverty level of returns. Under certain conditions, productivity increase may contribute to simultaneous shift in both employment and wages. A more comprehensive econometric model which recognises the structural inter-dependence of labour use, wage rate and productivity would give more meaningful results by highlighting the factors which contribute to raise employment at rising (or constant) wage rates. It is surprising why the valuable data base of a sample of 4,900 rural households drawn from a random sample of about 500 villages covered by Bardhan is not exploited for this purpose.

Vaidyanathan's analysis is also focused on the relation between yield increasing improvements and labour use per hectare of cultivated area. He questions the usefulness of the conventional framework of production functions in analysing input-output relations in agriculture, considering that public assets relating to land and water development cannot be specifically allocated to individual farms in farm level analysis, that capital inputs are too heterogeneous to be integrated into a single factor, and that complementarity among several inputs poses difficult problems of multi-collinearity. He himself puts forward an analytical framework in which the bio-physical inputs (quality of soil, availability of moisture, fertiliser, genetic potential of seeds, etc) are treated as prime determinants of yield and the demand for energy inputs required to exploit the yield potential as a derived demand. Further, the employment of human labour is taken to depend on substitution/complementarity relationships between human and other energy inputs, including bullock labour and machines, and their relative prices.

It may be easily seen that Vaidyanathan's model does precious little to overcome the limitations of production functions. Also there is no basis in fact for his assertion that the direct role of energy inputs in increasing yields can be ignored because their impact is realised only when they are embodied in capital assets, while his own analysis is restricted to labour use in current operations. Individual farms in a region or farmers in different regions have differential access to energy and other inputs; they can manipulate their proportions through changes in crop-mix, if not otherwise. In fact, even for a particular crop like paddy, energy use may be increased by the adoption of yield intensifying current operations — independent of physical inputs — such as is illustrated by "Japanese method of paddy cultivation".

The hypotheses in Vaidyanathan's paper are tested by fitting a series of regression equations to inter-district data obtained from the Farm Management Studies as well as those on size-class variations within individual dis-

tricts or groups of districts. The analysis is also extended to a single crop, *viz*, paddy and to individual operations. In the inter-district cross-section, irrigation is obtained as the only significant variable affecting yields. As expected, human labour is positively associated with yield (a proxy for bio-physical inputs) and negatively related to mechanisation measured as horse power per hectare. Hired labour shows stronger association than total labour, and it is striking to note that the association between the ratio of human labour to bullock labour and their relative costs is inverse, but it is significant only for hired human labour, suggesting greater elasticity of substitution for this category. Intra-district variations do not show consistent patterns even with regard to these basic relationships.

Interesting facts, however, emerge from Vaidyanathan's comparative study of the data from Farm Management Studies at two points of time (which permit comparison between pre-HYV and post-HYV period) in Muzaffarnagar, Ferozepur and Coimbatore. There is a significant increase in output per hectare in each of these centres which is associated with an increase in labour input. There is, however, an absolute decline in labour use in Muzaffarnagar for which one finds no explanation in the paper. There is a significant increase in the proportion of hired labour to total labour, but it is striking to note that there is considerable lag between the wage rate and the farm business income per man-day of work by family members. The increase in the proportion of human to bullock labour that is associated with a fall in the index of their relative costs over time is, indeed, the most significant finding in the context of one of his hypotheses stated earlier.

As Vaidyanathan himself observes, he is not able to obtain definitive results from several of his regressions. Nevertheless, his contribution retains significance for the several issues it throws up for further research. By discarding the conventional assumption of strict complementarity between variables like human and bullock labour, he highlights the need to examine the substitutability relationships between the two forms of energy that follow changes in relative costs, technology and institutions. His emphasis on the need for standardising the quality of the inputs of human and bullock labour in terms of nutrition and body weight and for finding suitable measures of the actual use of mechanical energy rather than simple measures of stock in terms of horse power is well placed. Further, even though his own assumption of energy inputs operating through asset formation is restrictive, the distinction between bio-physical and energy inputs is not without meaning since the latter operate only by altering the biological potential even in current operations (such as transplanting in place of broadcasting).

Alagh, Bhalla and Bhaduri seek to establish a causal link between agricultural growth and manpower absorption in India hypothesising "a suction mechanism by which high yield areas seem to attract a relatively larger proportion of labour, even within a relatively short period". They find statistical support for their hypothesis from regression equations, relating output per hectare (for 19 major crops) to land-man ratio (the ratio of male workers in agriculture to net sown area) in early sixties and seventies in 281 districts taken together as well as classified into four sets on the basis of growth rates of output (and yield). The analysis suffers from conceptual limitations. For example, the authors take the stock of male worker as a measure of labour use, omitting female labour and variations in actual labour time per worker. It is likely, however, that adjustment on these counts may not make a significant difference to the results.

The major limitation of the paper by Alagh *et al* is that it makes a series of bold assertions on the nature and implications of the "suction mechanism" which lack basis in theory or fact. First, they observe that it is non-reversible in the sense that lower yield has not been associated with a reduction in the population pressure. "In general, the poor agricultural regions are also poor in terms of non-agricultural development, and so, even when the prospects in agriculture are bleak, the increasing labour force in the agricultural families has nowhere else to go." By the same token, however, the rich (and developing) agricultural regions must also be rich in non-agricultural development and relative earnings outside agriculture could be higher. Hence, the proposition that workers have moved from non-agricultural sector into agriculture in areas of rapid agricultural growth is neither supported by *a priori* reasoning nor verified by systematic empirical investigation. In fact, the observed growth rate of male workers in agriculture in the districts with the best record of agricultural development is 2.7 per cent, just marginally above the absorption rate of 2.3 per cent recorded by the poorest districts. It is likely that with further break-up, data might show relatively high rates of labour absorption in the non-agricultural sector (and lower in agriculture) in some districts. Second, it is observed that "occupational shift within a district rather than geographical migration of labour has been the dominant form of adjustment". There is, however, some evidence to the contrary. Thus, Ludhiana — the heart-land of green revolution — records 29 per cent growth of rural population in 1961-71 as against an estimated natural increase of 20 per cent, suggesting a substantial component of net migration. The relative importance of the two factors needs empirical verification. Third, the authors suggest that comparative cost considerations favour faster generation of employment outside agriculture in areas of depressed agriculture, unless it is possible to secure substantial economies through better institutional management of land and water. But there are considerable regional diversities in the costs of raising employment and output. Again, this is a subject that deserves empirical investigation. The various categorical statements on the working of the "suction mechanism" thus remain just assertions. They might, nevertheless, serve the purpose of provoking further empirical research.

In sum, Ishikawa's monograph gives many useful insights into the technological and institutional conditions which have sustained relatively high levels of labour use per hectare in Japan, Taiwan and parts of China. The three papers on India are focused on particular aspects of very much the same problem, but their value lies more in raising issues which can be taken up for further analysis than in presenting definite answers to those issues. The neglect of economic dimensions (briefly referred to by Ishikawa) may, however, appear as a serious gap in these papers. There is no reference to economic choices among technological alternatives with varying labour intensity or to the demand constraints which may restrict the scope for employment generating crop mix. However, within the circumscribed scope of the two publications, there is much that is of both methodological and substantive interest to the ILO project as well as scholars concerned with the prospects of employment generation in Asian agriculture.

Unequal Exchange: Imperialism of Trade

V M Dandekar

This article, and another to appear next week, are extracted by the author from his R C Dutt Lectures on Political Economy delivered recently at the Centre for Studies in Social Sciences, Calcutta. In this article, after reviewing Emmanuel's thesis on unequal exchange in international trade, the author reformulates its main propositions by recasting them in the Sraffa system. In the article to follow, he applies these propositions to a domestic economy and elaborates on the form exploitation and class conflict assume under conditions of unequal wages between different sectors and industries. He concludes by bringing out the implications of this for the prospects of a peasant-worker alliance in the Indian economy.

UNDERLYING the Luxemburg-Bukharin and Preobrazhensky-Bukharin debates are economic-theoretic questions crucial to Marxism, namely, the true sources of capitalist accumulation. Between Rosa Luxemburg and Preobrazhensky there was a crucial decade which saw the First World War and the establishment of the world's first socialist state. Naturally, they wrote in quite different contexts: Rosa Luxemburg wrote in the context of a prosperously expanding imperial-capitalism; Preobrazhensky wrote in the context of problems of development faced by a young socialist state. Nevertheless, it is not difficult to recognise their common theoretical-ideological heritage and it is not without significance that both had to contend with a common adversary in Bukharin. Rosa Luxemburg's central thesis was that development of capitalism was impossible in a closed capitalist system and that it was only by invasion of pre-capitalist economies that capitalism could survive and grow. This was seen to strike at the roots of the class struggle because it changed the basis of capitalist accumulation from something derived from within the system to a process which drew its sustenance from an outside source. Preobrazhensky was more careful. He recognised the sources of capitalist accumulation internal to the capitalist system but confirmed and emphasised that the sources of capitalist accumulation were not confined to exploitation of labour on the basis of relations of production but that they lay equally outside the system.

Rosa Luxemburg was brutally murdered in 1919. Preobrazhensky and Bukharin were shot during Stalin's purge in 1937 and 1938. The questions they raised and debated were thereafter forgotten or rather muffled for a period of thirty years until they were raised in a different context by Emmanuel in his "Unequal Exchange: A Study of the Imperialism of Trade", first published in French in 1969. As the sub-title of the book indicates, Emmanuel has addressed himself to one of the central problems of economics in the era of neo-colonialism namely the long-term deterioration in the terms of trade of the poor countries. Emmanuel's central thesis is that underlying this phenomenon is the phenomenon of unequal exchange in international trade. He distinguishes two forms of unequal exchange in international trade. One he calls 'unequal exchange in the broad sense'. It is characterised by different organic compositions of capital but the same wage level or the same rate of surplus value in the two countries. The other he calls 'unequal exchange in the strict sense'. It is characterised by different organic compositions and also different wages or different rates of surplus value in the two countries. In the first case, it is only the capitalists of the rich country who appropriate the surplus value created by the labour of the poor country, besides of course appropriating the surplus value created by the labour in their own country. In the second case, not only the capitalists but also the labour of the rich country appropriate the surplus value created by the labour of the poor country. In other words, the capitalists and labour of the rich country jointly appropriate, through the mechanism of free exchange of commodities, a part of the surplus value created by the labour of the poor country. This is the essence of Emmanuel's thesis of unequal exchange in international trade.

Emmanuel's propositions are essentially correct. However, his formulation and demonstration of these propositions is flawed. This is mainly because he depends almost exclusively on Marx's 'transformation of values into prices of production'. In the following, we shall try to reformulate Emmanuel's basic propositions by recasting them in the framework of the Sraffa system hoping that this will not be considered un-Marxian.

We shall begin with Sraffa's numerical example of an economy with three industries producing three different commodities, called iron, coal, and wheat. For convenience of numerical manipulation, we shall consider an economy in the 'standard' system that is one in which output of each commodity is (1+R) times its aggregate inputs into the system. As will become clear, this does not entail any loss of generality in the proposition of our immediate interest. Sraffa's numerical example is as under:

	Iron	Coal	Wheat	Labour	
	120	+ 160	+ 80	+ 1/4	= 240 iron
	40	+ 100	+ 120	+ 1/4	= 360 coal
	40	+ 40	+ 200	+ 1/2	= 480 wheat
Total	200	+ 300	+ 400	+ 1	

Iron, coal and wheat are expressed in suitable units, say tonnes. Labour is expressed in units such that the total labour of the economy is one. In the aggregate, the economy expends 200 iron + 300 coal + 400 wheat + 1 labour to produce 240 iron + 360 coal + 480 wheat. In other words, by the expenditure of all its labour, the economy produces a net product consisting of 40 iron + 60 coal + 80 wheat. It will be noticed that gross output of all the three commodities are higher by the same percentage, namely 20 per cent, than their respective aggregate inputs into the system. This is the reason why the economy is said to be in the 'standard' system.

TABLE 1

Iron		Coal		Wheat Input		Wheat Subsistence	Labour		Output
120	+	160	+	0	+	100	(250)	=	240 iron
40	+	100	+	0	+	100	(250)	=	360 coal
40	+	40	+	100	+	200	(500)	=	600 wheat
200	+	300	+	100	+	400	(1000)	=	

TABLE 2

Industry	Labour Per Unit of Output			Indirect/ Direct Labour
	Direct	Indirect	Total	
Iron	1.041667	3.192204	4.233871	3.064515
Coal	0.694444	0.9184592	1.612903	1.322581
Wheat	0.8333333	0.6344086	1.467742	0.761290

There is a difference in the treatment of wages by Marx and by Sraffa. Marx defines the value of labour power as the value of the commodities necessary to reproduce the labour power and postulates that wages are necessarily equal to the value of labour power. He also assumes that the wages are paid at the beginning of the production period. Sraffa makes an important departure and suggests that "besides the ever-present element of subsistence", wages "may include a share of the surplus product". He also suggests that "it would be appropriate, when we come to consider the division of the surplus between capitalists and workers, to separate the two component parts of the wage and regard only the 'surplus' part as variable, whereas the goods necessary for subsistence of the workers would continue to appear, with fuel, etc, among the means of production".[1] But, he refrains from following his own suggestion and instead treats the whole wage as variable to be paid at the end of the production period when the division of the 'surplus' produce into wages and profits is made.

For reasons which will become clear as we proceed, we propose to adopt Sraffa's suggestion and treat the 'subsistence' part of the wage as paid at the beginning of the production period leaving a variable part of the wage being the share of the 'surplus' to be paid at the end of the production period. In the present numerical example, we shall suppose that the 'subsistence' wage of the entire labour in the economy consists of 400 units of wheat and modify Sraffa's numerical example slightly in order to have enough wheat input in iron and coal industries to pay the 'subsistence' of its labour and enough wheat input in wheat industry to provide for, besides 'subsistence' of its labour, some wheat for direct inputs as seed. We shall make two other but minor modifications in Sraffa's example. Sraffa expresses labour in units such that the total labour in the economy is one. Purely for convenience of presentation of numerical results, we shall express labour in units such that the total labour in the economy is equal to 1,000 units. Finally, following Sraffa, we shall express all prices in terms of the net product of the standard system but while Sraffa takes the value (total price) of the net product of the system equal to one, we shall take it to be equal to 1,000. Besides adding to the convenience of presentation of numerical results, this will make the net product of the system per unit of labour equal to one as in Sraffa and maintain the dimension of the wage rate 'w' the same as in Sraffa. The wage rate per unit labour may vary from 0 to 1; 'w' = 0 would mean that no part of the surplus, that is net product of the system (net of the subsistence of labour treated as part of means of production would go to labour and w = 1 would mean that the entire net product of the system goes to labour.

The modified numerical example of Sraffa then appears as in Table 1. It will be noticed that compared to Sraffa's numerical example, we have increased the wheat input from 400 to 500 and the wheat output from 480 to 600 so that hte economy is still in the 'standard' system with R = 0.20 as in Sraffa's example. The three commodities iron, coal and wheat are expressed in any suitable units say tonnes. Labour is expressed in units so that the total labour input in the system is 1,000. Because 'subsistence' is explicitly included in the means of production, labour units are shown in brackets so as to avoid double inclusion as inputs.

Marx defined the value of a commodity as the quantity of labour socially necessary for the production of the commodity. This includes not only the labour used directly in the production of the commodity but also the labour used indirectly in its production, namely the labour required to produce the means of production, other than the subsistence of labour, used up in the direct labour process. These can all be derived from the above input-output relations of production. The results are as shown in Table 2.

With the expenditure of its entire labour (1,000 units), the economy produces a net output of 40 iron, 60 coal, and 500 wheat. Hence

$$40\ l_i + 60\ l_c + 500\ l_w = 1000$$

where l_i, l_c, and l_w is the total labour (direct and indirect) embodied in a unit of iron, coal, and wheat respectively. It will be seen that the above solution meets this check.

Marx defines the value of labour power V as the value of the commodities necessary for the reproduction of the labour power. In the present case, we have taken 400 wheat as the subsistence necessary for the reproduction of labour power. Hence the value of labour power is the value of 400 wheat. Thus, we have

$$V = 400\ l_w = 587.09676$$

Total surplus value S follows from Marx's definition

V + S = total living labour

Hence, in the present case,

$$S = 1000 - 587.09676 = 412.90324$$

Rate of exploitation = Rate of surplus value = S/V = 0.70330

The indirect labour embodied in a commodity is Marx's constant capital c and for each industry Marx defines organic composition of its capital by the ratio c/(c+v) where v is the value of direct labour embodied in the commodity. Instead of this ratio, we shall use the ratio of indirect/direct labour that is in Marx's notation c/(v+s). It serves the same purpose as a measure of capital intensity and, as Sraffa has shown, is more directly relevant in the determination of prices of production of the several commodities produced in the system.

Let us now turn to the prices of production. As Sraffa shows, for given conditions of production (input-output relations) and with the wage rate, the profit rate, and all prices being uniform in the economy, the prices of production are determined by the manner in which the surplus that is the net product is divided between capitalists and

TABLE 3

r	w	Pi	Pc	Pw
0.0	1.0	10.2539062	3.9062500	3.5546875
0.05	0.75	10.5519775	3.8915094	3.4443033
0.10	0.50	10.8646319	3.8765823	3.3281979
0.15	0.25	11.1930302	3.8614650	3.2059089
0.20	0.00	11.5384615	3.8461538	3.0769231

TABLE 4

r	w	Pi	Pc	Pw
0.0	1.0	100.000	100.000	100.000
0.05	0.75	102.90690	99.62264	96.89469
0.10	0.50	105.95603	99.24051	93.62842
0.15	0.25	109.15870	98.85350	90.18821
0.20	0.00	112.82004	98.46154	86.55959

labour, in other words, between profits and wages. He also shows that if the prices and wage rate are expressed in terms of the net product of the standard system, the following relation obtains between the profit rate r and wage rate w:

$$r = R\ (1 - w)$$

where R is the standard ratio of the standard system; it is also the maximum rate of profit when the entire surplus, that is the net product, is allocated to profits and $w = 0$.

To illustrate how different divisions of the net product between profits and wages affect the prices of production of the several commodities, we present in Table 3 the prices of the three commodities iron, coal, and wheat denoted by P_i, P_c, and P_w, respectively for different combinations of the r and w subject to the above relation $r = R\ (1 - w)$.

The first point to note is that the prices of production when $r = 0.0$ and $w = 1.0$ are proportional to Marxian values. This may be easily checked :

$$P_i/l_i = p_c/l_c = p_w/l_w = 2.421875$$

As Sraffa notes, it is only when $r = 0$ and $w = 1$, that is to say when the entire surplus product goes to labour (besides subsistence) that "the relative values of commodities are in proportion to their labour cost, that is to say to the quantity of labour which directly and indirectly has gone to produce them. At no other wage level do values follow a simple rule".

At other values of profit and wage rate the prices of production in general deviate from the Marxian values that is their direct and indirect labour costs. In our example, as the rate of profits is raised from $r = 0$ to $r = 0.20$, the price of iron is seen to rise, the price of coal to fall a little, and the price of wheat to fall to a much greater extent. This will be seen more readily if we express the prices as indexes with the prices at $r = 0$ and $w = 1$ equal to 100. This is done in Table 4. Because the prices at $r = 0$ and $w = 1$ are proportional to the Marxian values, the above indices also indicate how, with the rise in the rate of profit, the prices deviate from the corresponding values. A clue to which prices rise and which fall with the rise in the rate of profit may be seen in what Marx called the organic composition of capital and which we substituted with the ratio of indirect to direct labour in the respective industries. Thus, iron, of which the price is seen to rise the most, has the highest ratio of indirect/direct labour and wheat, of which the price is seen to fall the most, has the lowest ratio of indirect/direct labour. But this in general is not necessarily true. As Sraffa has demonstrated, the manner in which the price of a commodity may rise or fall with changes in the rate of profit does not depend simply on the ratio of indirect/direct labour but also on the time pattern of the indirect labour. In particular, with the rise in the rate of profit, the relative prices of two commodities may not necessarily move in the same direction; the direction of movement may often be reversed. This is a result of far-reaching consequence to economic theory particularly to the concept of capital in economic theory. As Sraffa says: "The reversal in the direction of the movement of relative prices, in the face of unchanged methods of production, cannot be reconciled with *any* notion of capital as a measurable quantity independent of distribution and prices." In particular, Sraffa notes that it shows "the impossibility of aggregating the 'periods' belonging to the several quantities of labour into a single magnitude which could be regarded as representing the quantity of capital". We should add that it also shows the impossibility of aggregating the 'quantities of labour' belonging to different periods into a single magnitude of quantity of labour embodied in the means of production as represeting the quantity of capital. The emphasis on *'any'* in *'any* notion of capital' in the above quotation is Sraffa's orginal.

With these preliminaries, let us now move on to examine the phenomenon of unequal exchange in normal trade relations between two countries or economies.

Consider two economies I-A and I-B in which the technical relations of production are the same as in the above economy, which henceforward we shall call economy-I, but in which the three industries appear in proportions different from their productions in the economy-I. In particular, let I-A and I-B be as in Table 5.

It will be noticed that the two economies are not in the standard system; in fact, they are not even in self-replacing state. Economy I-A does not produce sufficient coal and wheat to meet its input and subsistence requirements but produces a surplus of iron, economy I-B does not produce sufficient iron to meet its input requirements but has a surplus of coal and wheat.

The technical relations of production are the same in the two economies I-A and I-B and are the same as in the economy-I. It follows that equations of prices for I-A and I-B are only certain multiples of the corresponding equations for the economy-I. Hence, for a given rate of profit, the wage rate and prices in these two economies will be equal (and equal to those in economy-I). The same is true of Marxian values. Thus, there is no evident ground for any unequal exchange in trade between these two economies.

Nevertheless, unequal exchange may be said to exist because an exchange of two commodities at their prices of production is not necessarily equal in terms of their values. Suppose for instance that the rate of profit in the two economies is $r = 0.10$. It follows that wage rate will be $w = 0.50$. The price of iron will be $P_i = 10.8646319$ and the price of wheat will be $p_w = 3.3281979$. Suppose that economy I-B trades its

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TABLE 5

Economy I-A

Iron	Coal	Wheat Input	Wheat Subsistence	Labour	Output
192	256	0	160	400	384
40	100	0	100	250	360
28	28	70	140	350	420
260	384	70	400	1000	

Economy I-B

Iron	Coal	Wheat Input	Wheat Subsistence	Labour	Output
48	64	0	40	100	96
40	100	0	100	250	360
52	52	130	260	650	780
140	216	130	400	1000	

surplus wheat with the surplus iron of I-A. At these prices, for each unit of iron it imports, economy I-B will have to export 3.2644188 units of wheat. But the value, that is labour cost of one unit of iron is 4.233871 while the value of 3.2644188 units of wheat is 4.791325. Thus the economy I-B will exchange a larger quantity of its labour for a smaller quantity of labour of the economy I-A. Hence, the trade involves an unequal exchange.

This case corresponds to what Emmanuel has termed 'unequal exchange in the broad sense'. He is reluctant to recognise this as unequal exchange between two economies because such unequal exchange exists even in internal trade of each economy. We may add two clarifications. Because the technical relations of production are the same in the two economies, organic composition of capital, industry by industry, is the same in the two economies. But because the several industries differ in organic composition of their capitals and because they appear in different proportions in the two economies, the organic composition of capital in the aggregate is different in the two economies, it being higher in economy I-A than in I-B. Hence, one may infer, as Emmanuel does and any one basing the analysis on Marxian transform of values into prices would do, that the unequal exchange is in favour of economy I-A because of the higher organic composition of its capital. Such inference must be qualified by two considerations. First, aggregation of capital with different organic compositions is not legitimate. In fact, the unequal exchange in this case is not so much between the two economies I-A and I-B but between the two industries, namely iron and wheat. Second, in view of Sraffa's proposition regarding reversal of the movement of relative prices, the terms of unequal exchange may not necessarily appear to be in favour of the industry with higher organic composition of capital at *all* conceivable rates of profit.

Let us now proceed to Emmanuel's second category of unequal exchange which he calls 'unequal exchange in the strict sense'. This is characterised, besides unequal organic composition of capital, by unequal wages in the two economies. To simplify the argument and illustration, we shall derive two economies from the economy-I. In economy-I, the aggregate inputs are 200 iron, 300 coal and 500 wheat while the outputs are 240 iron, 360 coal, and 600 wheat so that the standard ratio is R = 0.20. We shall keep the same inputs but vary outputs so as to give different standard ratios, specifically R = 0.10 and R = 0.50. Thus, together with the original economy-I with R=0.20, we have three economies with R = 0.10, R = 0.20, and R = 0.50. The gross outputs of the three economies are as under:

Industry	R = 0.10	R = 0.20	R = 0.50
Iron	220	240	300
Coal	330	360	450
Wheat	550	600	750

The net product of the three economies are as under:

Industry	R = 0.10	R = 0.20	R = 0.50
Iron	20	40	100
Coal	30	60	150
Wheat	50	100	250

We shall first find the Marxian values, that is the labour costs of the three commodities, and the rates of surplus value in the three economies and then the prices of production. The Marxian values and rates of surplus value are shown in Table 6.

It will be noted that an increase in R means an increase in labour productivity. In consequence, the Marxian values, that is the labour costs of the commodities, go down. In particular, value of labour power V, which is labour cost of labour's 'subsistence', goes down and the rate of surplus values S/V increases. This is the rate of surplus value in the strict sense of the term that is when the labour is paid no more than its 'subsistence'; in other words when r = R and w = 0.

We shall now work out the wage rates and the prices of production in the three economies at different rates of profit. In order to make them comparable, we shall express them all in terms of the standard net product of the economy with R = 0.20. It will be noticed that the commodity composition of the net product of the three systems is similar; only the size is different. The net product of the economy with R = 0.10 is half of the net product with R = 0.20 and the net product with R = 0 50 is two-and-half times the net product with R = 0.20. Hence wages and prices in the three economies expressed in terms of their respective standard net products may be easily converted to a common base such as the standard net product of the economy with R = 0.20 without encountering any index number problems. The results are shown in Table 7.

It should be noted that when R = 0.10, the maximum value of r is 0.10 and hence in the above there are no results for r = 0.20 and r = 0.50 when R = 0.10. Similarly, there are no results for r = 0.50 when R = 0.20.

One striking result is that when the rate of profit is its maximum that is to say when r = R, and hence w = 0, that is when labour receives no share of the surplus, the prices of production in the three economies are exactly the same. The economies therefore have no comparative advantages in terms of the prices of production. But, of course, trade could take place between the three economies. The economies will in general not be all in the standard system and will have the three industries combined in different proportions leading relative surplus of output of some commodities and relative shortage of other commodities. The economies may therefore trade their

TABLE 6: MARXIAN VALUES AND RATES OF SURPLUS VALUE

	R = 0.10	R = 0.20	R = 0.50
Iron (l^i)	5.873494	4.233871	2.252650
Coal (l^c)	2.108347	1.612903	0.971731
Wheat (l^w)	1.820616	1.4677472	0.967654
S/V	0.37316	0.70330	1.58357

TABLE 7: WAGE RATES AND PRICES OF PRODUCTION AT DIFFERENT RATES OF PROFIT

	r= 0	r = 0.10	r = 0.20	r = 0.50
R = 0.10				
w	0.50	0.00		
Pi	10.8066503	11.5384616		
Pc	3,8793104	3.8461539		
Pw	3.3497537	3.0769231		
R = 0.20				
w	1.0	0.50	0.00	
Pi	10.2539062	10.8646319	11.5384615	
Pc	3.9062500	3.8765823	3.8461538	
Pw	3.5546875	3.3281879	3.0769231	
R = 0.50				
w	2.5	2.0	1.5	0.00
Pi	9.1879158	9.5919695	10.0252415	11.5384615
Pc	3.9634148	3.9408868	3.9179105	3.8461538
Pw	3.9467850	3.7986803	3.6391573	3.0769230

relative surplus commodities for relative deficit commodities. When this is done the international prices will be the same as the domestic prices and apparently the international trade will not involve any unequal exchange.

But unequal exchange is in fact involved because though the prices of production in the three economies are equal, the Marxian values or labour costs of the commodities in the three economies are quite different. As already shown above, the labour costs of commodities are lower in high labour-productivity economies. Consequently, even if iron is traded for iron and wheat for wheat, the low productivity economy trades a larger quantity of its labour for a smaller quantity of labour of the high productivity economy.

Of course, iron is not normally traded for iron nor is wheat traded for wheat. Consider two economies one with low productivity (R = 0.10) and the other with high productivity (R = 0.50) and let us suppose they trade iron for wheat. In our case with w = o, because the prices of production are the same in the two economies, these will also be the prices of trade between the two. At the price of iron Pi = 11.5384615 and price of wheat Pw = 3.0769230, one unit of iron will be traded for 3.75 units of wheat no matter which economy exports iron and which wheat. The Marxian values, that is labour costs, of one unit of iron and 3.75 units of wheat in the two economies are as under:

	Marxian Values	
	Low Productivity Economy: R = 0.10	High Productivity Economy: R = 0.50
One unit of iron	5.873494	2.252650
3.75 units of wheat	6.827310	3.6287025

Hence, if the low productivity economy exports its wheat for iron from the high productivity economy, as will generally be the case, it will be trading 6.827310 units of its labour for 2.252650 units of labour of the high productivity economy. But even if the low productivity economy exports iron for wheat from the high productivity economy it will be trading 5.873494 units of its labour for 3.6287025 units of labour of the other country. Thus, given sufficiently different labour productivities in two economies, whichever commodity a low productivity economy exchanges with whichever commodity from a high productivity economy, the low productivity economy trades a larger quantity of its labour for a smaller quantity of labour of the higher productivity economy. The unequal exchange is not necessarily between 'primary' products and 'manufactured' goods; the unequal exchange is between the products of a low productivity economy with those of a high productivity economy.

This is the fundamental question Emmanuel has raised. "Are there really certain products that are under a curse, so to speak;" he asks, "or is there, for certain reasons that the dogma of immobility of factors prevents us from seeing, a certain category of countries that, whatever they undertake and whatever the produce, always exchange a larger amount of their national labour for a smaller amount of foreign labour?" The reply of course is: Yes. In a trade between a low productivity and a high productivity economy, whatever be the commodities traded, a low productivity economy trades a larger quantity of its labour for a smaller quantity of labour of the high productivity economy. Further, as the above numerical example demonstrates, what Emmanuel calls 'the dogma of immobility of factors', which is Ricardo's assumption of immobility of capital, does not prevent us from seeing this proposition. Indeed, the above numerical example sits perfectly within Ricardo's assumptions of immobility of capital resulting in different rates of profit and equal wages pegged at the 'subsistence' level. Unequal exchange prevails even under Ricardian conditions.

It should be noted that this form of unequal exchange is quite different from what Emmanuel has categorised as 'unequal exchange in the broad sense' characterised by unequal organic composition of capital and equal rates of profit and wages. In Emmanuel's category, unequal exchange arises primarily because of unequal composition of capital between different industries or departments, something which is equally present within an economy. In the present case under discussion, unequal exchange between two economies arises because of unequal labour productivities in the two economies. Hence this is a case of genuine unequal exchange not in Emmanuel's 'broad sense', even though the wages in the two economies are equal and in fact pegged down to subsistence. That, in the present case, wages are equal while rates of profit are unequal has an important implication, namely that in the process of exploitation of the lower productivity countries by the higher productivity countries, implied in the unequal exchange in trade, only the capitalists of the latter countries parti-

cipate and gain; the proletariat of these countries do not participate and gain. The capitalists of the high productivity countries exploit their own labour as also the labour of the low productivity countries. It is this case which answers to Bettelheim's description of the phenomenon. He says: "..... the capitalists of the industrialised countries have at their disposal not only a 'basis of their own' for exploitation, that is, the basis that ensures expanded reproduction of the predominant capitalist relationships through *exploitation of the proletariat of the industrialised countries* (by buying labour power at a price lower than the value produced by this labour power), but also an 'international basis' of exploitation, ensured by the *enlarged reproduction of the international production relations specific to capitalism.* It is these *relations* that enable the capitalists of the industrialised countries to exploit also the *working people* of the dominated countries (by buying the *products* they supply at *prices* that ensures expanded reproduction of economic inequalities, and so expanded reproduction of the international division of labour thanks to which exchanges may continue to be carried on at such prices)." [3]

Bettelheim is anxious to emphasise that it is only the capitalists, and not the working class, of the industrialised countries who participate in the exploitation of the working people of the dominated countries. He is right provided the wages in the two countries are equal. Emmanuel's second category of unequal exchange which he calls 'unequal exchange in the strict sense' is characterised by unequal wages and we should now proceed to examine its implications.

The case of two economies with unequal labour productivities but equal wages is useful only to clarify certain analytical issues. In practice, it is clearly an unlikely case. It is evident that with the increase in labour productivity, the real wages rise. If we prefer, we may say that this is due to what Marx called the 'moral element' in the determination of the value of labour power. In fact, Marx recognises this explicitly. Thus speaking of a rich country that he is comparing with a poor country, Marx says: "... it will be found, frequently, that the daily or weekly, etc, wage in the first nation is higher than in the second, while the relative price of labour, i e, the price of labour as compared both with surplus value and with the value of the product, stands higher in the second than in the first".[4] Again, "... hand-in-hand with the increasing productivity of labour, goes ... the cheapening of the labourer, therefore a higher rate of surplus value even when the real wages are rising. The latter never rise proportionately to the productive power of labour".[5] We shall duly consider the qualification that real wages do not rise proportionately to the productive power of labour and that therefore the rate of surplus value and the rate of exploitation is higher in a rich country than in a poor one. The relevant point for our immediate purpose is that the real wage is higher in economies with higher labour productivity than in one with lower labour productivity.

A direct consequence of a higher wage in an economy with higher labour productivity is a lower rate of profit than it would otherwise be and hence a tendency for the rate of profit to equalise between economies with different labour productivities. To establish a tendency for the rate of profit to equalise, Emmanuel discards Ricardo's assumption of immobility of capital. That may be legitimate. However, we should note that, once it is granted that the real wages tend to rise with the rise in labour productivity, difference in wages itself would cause a tendency for the rate of profit between two economies to equalise, even without mobility of capital. For an appreciation of the phenomenon of unequal exchange between rich and poor countries, a complete equality of profit rate is not necessary; that is practically not possible and analytically not necessary. What is needed is a widening of differences in wages and consequent narrowing down of the differences in the rates of profit between rich and poor countries. For the first to be achieved, sufficient immobility of labour is a necessary condition as Emmanuel emphasises. Given widening of wage differences, the narrowing down of the differences in the rate of profit follows even without great mobility of capital.

Let us return to the numerical illustration and consider economies with different labour productivities, that is with different R's but equal rate of profit r, say r = 0.10. Of course, as mentioned above, an exactly equal rate of profit is not necessary for our purpose and we are taking it to be such only for simplifying the exposition and keeping the illustration parallel to Emmanuel's.

It will be seen that the prices of production of iron, coal, and wheat are different in the three economies with R = 0.10, R = 0.20, and R = 0.50 respectively but with the rate of profit r = 0.10 for all. Moreover, now clear cost advantages appear. Consider, for instance, the two economies with R = 0.10, and R = 0.50 and the two commodities iron and wheat. At r = 0.10, the prices of production are:

	R = 0.10 r = 0.10	R = 0.50 r = 0.10
Iron	11.5384616	9.5919695
Wheat	3.0769231	3.7986803

Thus, the price of production of iron is lower in the high labour productivity economy while the price of production of wheat is lower in the low productivity economy. Hence, trade emerges in which the low labour productivity country exports wheat and imports iron. At prices of production in the low productivity country, one unit of iron will exchange for 3.75 units of wheat. At prices of production in the high productivity country, one unit of iron will exchange for 2.525 units of wheat. The actual rate of exchange is expected to be in between these two ratios depending upon the bargaining power etc, of the two countries and hence generally closer to 3.75 than to 2.525. If the trade takes place at the former rate, the low productivity country will exchange 6.82731 units of its labour for 2.25265 units of labour of the high productivity country; if the trade takes place at the latter rate, the low productivity country will exchange 4.5970554 units of its labour for 2.25265 units of labour of the high productivity country. Thus unequal exchange is involved even if trade takes place at the rate most favourable to the low productivity country. A part of the surplus value generated in the low productivity country is transferred to the high productivity country through normal trade.

This is the case of unequal exchange characterised by unequal wages in the two countries and one which Emmanuel calls 'unequal exchange in the strict sense'. Its distinctive feature is that, because the labour in the high productivity country receives a share of the surplus value, not only the capitalists but also the labour of the high productivity country participate and profit by the process of exploitation implied in the transfer of surplus value from the low productivity country. The proletariat of the rich countries is party to the exploitation of the poor countries by the rich countries.

Bettelheim is very sore about this implication of unequal exchange when the wages rates in the two countries are different. He says that Emmanuel's formulation regarding exploitation of poor countries by the rich ones "leads

to making the *proletarians* of the rich countries 'appear' to be 'exploiters' of the poor ones. These proletarians must therefore have ceased to be exploited themselves, which must mean that *their labour is no longer a source of surplus value.* In reality, these workers are in general, *more exploited* (in the strict sense of the word) than the workers in the poor countries ... *The more the productive forces are developed the more the proletariat are exploited* that is, the higher is the proportion of surplus labour to necessary labour. This is *one of the fundamental laws of the capitalist mode of production."*[6]

We may first dispose of the initial point, namely the aggrieved feeling expressed by Bettelheim when he says that if the proletarians of the rich countries are supposed to exploit the poor countries, the proletarians of the rich countries must have ceased to be exploited themselves. The feeling is clearly false if not deliberately contrived. There is no such necessary proposition that in order to exploit others, one must oneself be free from exploitation. Equally, the mere fact that one is being exploited is no guarantee that one in turn does not exploit others. A small fellow is exploited by a big fellow who in turn is exploited by a bigger fellow. Indeed, Bettelheim himself envisages such a situation in relation to *"imperialist* exploitation, namely, the exploitation to which the working people of the countries dominated by international monopolies and trusts are subjected directly." He says: "... this exploitation is bound up both with the important fact of the 'penetration' of the capitalist mode of production into the dominated countries and with the structural changes that *movement of capital* give rise to within the capitalist world economy. In fact, these movements tend to create an increasingly *hierarchical* structure of capitalist world economy, since *even the already industrialised countries themselves tend to an increasing extent to fall into subjection to a dominant imperialism* precisely because of the international movement of capital."[7] Thus, clearly in order to exploit others, one does not have to be free from exploitation.

The other point of Bettelheim is an unverified myth. Bettelheim asserts: *"The more the productive forces are developed, the more the proletariat are exploited* that is, the higher is the proportion of surplus labour to necessary labour." This, he calls, *"one of the fundamental laws of the capitalist mode of production."* Evidently in this, he has support from Marx. As we have already quoted, Marx says: "... the price of labour as compared both with surplus value and with the value of the product, stands higher in the second [poor country] than in the first, [rich country]." Again: " ... With the increasing productivity of labour goes ... a higher rate of surplus value even when the real wages are rising." Our analytical comparison of the rich and the poor countries does not bear out this contention.

Let us consider the three economies of our illustration. Their labour productivities as indicated by R and the rates of surplus value are as under:

Labour Productvity	Rate of Surplus Value
(R)	(S/V)
0.10	0.37316
0.20	0.70330
0.50	1.58357

Thus, clearly the rate of surplus value is higher in the higher labour productivity economies. Apparently, this constitutes the basis of Bettelheim's assertion that the workers in the rich countries are "in general, *more exploited* (in the strict sense of the word) than the workers in the poor countries". We do not know what the strict sense of the word 'exploitation' is which Bettelheim has in mind. But, as we have earlier made clear, the above rates of surplus value are derived on the assumption that the labour in all the three economies is paid only its subsistence and that it receives no share of the surplus product. But, when in fact labour receives a share of the surplus product, above rates of surplus value are clearly not appropriate and certainly cannot be interpreted as rates of exploitation whatever be the strict sense of that word. When the real wages are different, the rates of surplus value must obviously be computed on the basis of the value of the real wages. This we do in the following for the three economies.

As we have seen, in the three economies with R = 0.10, R = 0.20, and R = 0.50 respectively, with a uniform rate of profit r = 0.10, the rates of wages besides subsistence, are given by w = 0.00, w = 0.50, and w = 2.0 respectively. The subsistence is equal to 400 units of wheat in all the three economies, while w is expressed in terms of the standard net product of the economy with R = 0.20; this is equal to 40 iron, 60 coal, and 100 wheat. Hence, the real wages in the three economies, are as under:

	R=0.10	R=0.20	R=0.50
Iron	—	20	80
Coal	—	30	120
Wheat	400	450	600

To obtain V's that is values of labour power, in these economies, the real wages must be valued at their respective Marxian values. The surplus S and the rates of surplus value S/V follow. The results are as under:

	R = 0.10	R = 0.20	R = 0.50
V	728.2464	793.54841	877.41212
S	271.7536	206.45159	122.58788
S/V	0.37316	0.26016	0.13972

Thus, with increased labour productivity, if the real wages rise, then for a given rate of profit, the rate of surplus value does not necessarily rise; in the present numerical example, it is actually seen to decline. Hence, even if we agree to equate the rate of surplus value with the rate of exploitation, it is not in general true, as Bettelheim asserts it to be 'one of the fundamental laws of capitalist mode of production, that 'the more the productive forces are developed, the more the proletariat is exploited' and hence that workers in the rich countries are 'in general, more exploited, than the workers in the poor countries'. There is an additional complication. To equate rate of surplus value with rate of exploitation implies that all the surplus value produced in a country is necessarily the product of its own workers. It is precisely this claim which Emmanuel is challenging in respect of the developed countries. The higher productivity of labour in the developed countries is due to the larger quantity of capital associated with labour there. But the accumulation of capital in the developed countries is not all from their internal resources; historically, a large part of it has come from the poor countries and the process continues to date. This was the point Rosa Luxemburg was making. Emmanuel asks pointedly: "Who owns all this splendid machinery and equipment, which ensures this high level of productivity in the advanced countries?" And he answers: ".... in the same machine in which the Detroit worker sees his forebears' toil embodied, worker of the Third World can legitimately see the sweat and blood of his own forebears 'embodied' just as clearly, if not more so, in the copper from Katanga, the tin from Bolivia and the rubber from Indonesia of which this machine is made."[8] Hence, not all the surplus value produced in the developed countries is the product of their own workers and so the ratio of

surplus value to wages paid does not represent here the rate of exploitation in the true sense of the term.

Emmanuel is aware of "the dreadful implications of such a proposition in relation to the international solidarity of working people" but says: "... the hopes that revolutionary Marxism based upon this solidarity have been so cruelly disappointed in recent years that perhaps the time has come to emancipate ourselves from his taboo."[9] He refers to certain premonitions in this respect. For instance, he cites Engels so far back as in 1858, that is, in the midst of the free-trade epoch: "The English proletariat is actually becoming more and more bourgeois, so that this most bourgeois of all nations is apparently aiming at the possession of a bourgeois aristocracy and a bourgeois proletariat as well as a bourgeoisie. For a nation which exploits the whole world this is of course to a certain extent justifiable".[10]

Emmanuel refers to certain passages of Bukharin from "Imperialism and World Economy". It may be useful to quote some of them more fully:

> There is an opinion current among many moderate internationalists to the effect that the colonial policy brings nothing but harm to the working class and that *therefore* it must be rejected. Hence the natural desire to prove that colonies yield no profit at all, that they represent a liability even from the point of view of the bourgeoisie, etc. Such a point of view is being propounded, for instance, by Kautsky.
>
> The theory unfortunately suffers from one shortcoming, namely, it is out and out incorrect. The colonial policy yields a colossal income to the great powers, i e, to their ruling classes, to the 'state capitalist trust'. This is why the bourgeoisie pursues a colonial policy. This being the case, there is a possibility for raising the workers' wages at the expense of the exploited colonial savages and 'conquered peoples.
>
> Such are exactly the results of the great powers' colonial policy. The bill for this policy is paid, not by the continental workers, and not by the workers of England, but the little peoples of the colonies. It is in the colonies that all the blood and filth, all the horror and the shame of capitalism, all the cynicism, greed and bestiality of modern democracy are concentrated. The European workers, considered from the point of view of the moment, are the winners (gainers) because they receive increments to their wages due to industrial prosperity.
>
> All the relative 'prosperity' of the European-American industry was conditioned by nothing but the fact that a safety valve was opened in the form of colonial policy. In this way the exploitation of the 'third persons' (pre-capitalist producers) and colonial labour led to a rise in the wages of the European and American workers.[11]

Finally, Emmanuel cites Bukharin speaking at the Sixth Congress of the Comintern, in 1928: "... we see certain countries which are, so to speak, 'aristocratic', countries, which (to use an expression that needs to be made more precise) possess a 'labour aristocracy', that is, a proletariat whose standard of living is higher than that of the average for the world proletariat". In a footnote, Emmanuel adds: "To have a standard of living higher than 'the average for the world proletariat', it is today not necessary to belong to the 'labour aristocracy' of the rich countries. It is enough to be the humblest of their street sweepers".[12]

Emmanuel notes: "Marxism did not completely overlook the possibility of the class struggle becoming weakened through a certain margin of reforms that the advanced capitalist countries were able to provide by dipping into the superprofits of international exploitation. But it linked this phenomenon with the imperialist phase ... so that it appeared to be transitory in character." But he says: "When we read this passage [Bukharin's quoted above] and other, similar ones in the writings of Marxist authors, we ask ourselves whether this solidarity of interests between the capitalists and workers of the imperialist countries, however temporary and transitory it may be, has an objective basis or is merely the effect of a monstrous deception of the working class." According to him: "In the orthodox line of Marxism this 'objective' basis has rather been regarded as illusory. Revolutionary Marxism chose to consider that what actually happened was an opportunist deception of the proletariat based on the increased employment that imperialist policies created in the metropolitan countries, together with what Bukharin called 'the additional pennies received by the European workers from the colonial policy of imperialism'."[13]

Emmanuel replies to the question he raised with the following perceptive observation: "To explain a historical fact that has endured for nearly a century by the corruption of the leaders and the deception of the masses is, to say the least, hardly in conformity with the method of historical materialism. Political parties are not churches possessing eternal truth.... A political party anxious to preserve its identity may consent to make temporary retreats, refusing to bow to transitory objective conditions. But it cannot ignore structural objective conditions persisting for several generations, ... When a deep-seated change has occurred in objective conditions, a class party, though it can still go on, through inertia, living outside the realities of its epoch, must eventually reach a moment when it has either to transform or to disappear. Due to this time lag between base and super-structure, however, when the objective antagonisms are intensified the masses are more revolutionary than their parties, but when the antagonisms soften the parties remain for a long time more radical than the masses. This is what has happened between the end of the nineteenth century and our time. It is not the conservatism of the leaders that has held back the revolutionary elan of the masses, as has been believed in the Marxist-Leninist camp; it is the slow but steady growth in awareness by the masses that they belong to privileged exploiting nations that has obliged the leaders of their parties to revise their ideologies so as not to lose their clientele".[14]

No wonder, Emmanuel's thesis has been vehemently opposed by a number of European Marxists, particularly Bettleheim. Indeed, there has been so much exchange between Emmanuel and Bettelheim that, in the tradition of Luxemburg-Bukharin debate and Preobrazhensky-Bukharin debate, one might term this one Emmanuel-Bettelheim debate. In fact, Bettelheim says that the purpose of his Theoretical Comments (printed in Appendix I to Emmanuel's "Unequal Exchange") is "to open the debate for which Emmanuel's work ought to provide the occasion".[15] The intensity and acrimony of the debate may be judged by the opening paragraphs of Bettelheim's Preface to the French Edition (printed as Appendix III to "Unequal Exchange") which evidently was written after Emmanuel's Reply to Charles Bettelheim (printed as Appendix II to "Unequal Exchange"). Let me give an extract:

> This 'Reply' to me cannot, of course, claim any more than what I say in this preface, to 'close' a 'debate' that has only begun and that, indeed, cannot be closed, given the line of demarcation that divides the opposing views. What this collection of documents contains is (contrary, perhaps, to certain appearances) not a 'dialogue' but a *confrontation* of opposing theses.
>
> ...It is doubtless unnecessary to emphasise that the reasons why a genuine 'dialogue' has not taken place also prevent Emmanuel and myself from 'seeing' these reasons themselves in the same light ... what divides us is not just mere 'divergences' of views, such as may develop

on the basis of theoretical positions that are fundamentally shared, but a real 'split' between profoundly different theoretical positions".[16]

Let me give two extracts, one from Bettelheim's Theoretical Comments and the other from his Preface, to illustrate the nature of the 'split'.

> Here we again come upon this fundamental proposition: relations of exploitation cannot be constituted at the 'level of exchange'; they necessarily have to be rooted at the level of *production,* or otherwise exchange could not be renewed. Also, capitalist relations of exploitation are constituted not by relations between 'partners in exchange', (and still less by relations between 'countries') but by relations between *workers,* on the one hand, and owners of the means of production and exchange, on the other....
>
> Because the concept of *exploitation* expresses a *production relation* — production of surplus and appropriation of this by a social class — it necessarily relates to *class relations* (and a relation between 'countries' is not and cannot be a relation between classes). This, too, is why a mere *transfer of surplus value* from the capitalists (or other exploiters) of the poor countries to the *capitalists* of the rich ones cannot be described as 'exploitation', in the strict sense of the word, since only *working people* can be exploited, but not other exploiters.
>
> Emmanuel's formulation regarding 'exploitation' of poor countries by rich ones thus describe inadequately because it suppresses the *social relations)* the apparent effect. at the level of exchange, of the specific structure of capitalist world economy....
>
> The attempt to 'conceive' of the economic relations between countries in terms of 'exploitation' thus ... transforms the concept of 'exploitation' into an ideological notion, which, instead of describing a relation between classes, is then given the task of describing a group of relations of different kinds that cannot be grasped as a single concept.
>
> As a result of the ideological transformation that is thus inflicted on the concept of exploitation, we see emerging again that ideological pair which historical materialism eliminated from its field of work, namely, 'the rich and the poor'.[17]

Thus, it seems, Bettelheim denies by *definition* the existence of exploitation of one country by another. By the same token, one might as well deny the existence of exploitation, whether of peasants or workers, by traders and moneylenders, because the relations between them are not *relations of production.* But facts can neither be denied nor concealed, and mercifully, Bettelheim concedes the following:

> Of course, refusing to employ the concept of exploitation to describe the effects of international exchange conditions upon the countries with underdeveloped productive forces does not in the least mean denying a fact that is obvious, *but of quite different order,* namely, that if the conditions of exchange between 'poor' countries and 'rich' ones were more favourable to the former, that is, if, as a result of this exchange, the former were to obtain relatively more in *use values* and the latter relatively less, then the 'standard of living' in the 'rich' countries would be affected by this, in the sense of being lowered, and the opposite effect would occur in the 'poor' countries.[18]

With this admission, one would have thought that after all the differences between Emmanuel and Bettelheim were not altogether irreconcilable. But Bettelheim adds: "Recognising this fact, however, and recognising also that the living conditions of the workers in the rich countries might in some circumstances be lowered, is not at all the same thing as alleging that there is exploitation of the workers and peasants of the poor countries by the proletariat of the rich countries".[19] Thus, it seems, the differences between Emmanuel and Bettelheim are much more profound and probably on verge of being ideological. Let me add an extract from Bettelheim's Preface:

> It is because Emmanuel's political line is one of unreserved support for the struggle of the oppressed and exploited peoples that he has been able to see what the dominant economic ideology is quite incapable of seeing. On the other hand, if he has not been able to go beyond the limits of pre-critical theory, this is, I think, because he has not abandoned positions that belong to petty-bourgeois ideology, and so ultimately the ruling ideology. That this is indeed the case I find proved ... by the propositions that he formulated explicitly in relation to the industrialised countries. In this respect Emmanuel's position seems to me to be clearly irreconcilable with Marxism, since it consists in denying the existence of the class struggle in the industrialised countries (except in the economic form of that struggle, which corresponds to the classical trade-unionist position, that is to say, an 'economist' and so non-marxist position).
>
> It amounts, indeed, to denying the existence of the political class struggle, and of classes themselves, when one treats the bourgeoisie and the proletariat of the industrial countries as identical, by alleging that the proletariat has 'become bourgeois' and so has become 'integrated' with the bourgeoisie...
>
> It is well known that this rejection of the class line is very commonly accompanied by a tendency to substitute for it a different line of demarcation. Despite his radical positions, A. Emmanuel often finds himself, whether he wishes or not, in company with the specialists in 'under-development' for whom 'the great division of world of today' is that which separates the 'proletarian countries' from the 'well-off countries', or as it has been put less 'cruely', the countries that are 'provided for' from those that are less so.[20]

Emmanuel opens his work with the following quotation from Marx: "If the free traders cannot understand how one nation can grow rich at the expense of another, we need not wonder, since these same gentlemen also refuse to understand how within one country one class can enrich itself at the expense of another".[21] Evidently, Emmanuel, and probably also Marx, did not know that there would be gentlemen in the Marxist camp as well who would equally refuse to understand how 'one nation can grow rich at the expense of another'.

Notes

[The full text of the author's three R C Dutt Lectures will be published by the Centre for Studies in Social Sciences, Calcutta, under the title "Peasant-Worker Alliance: Its Basis in the Indian Economy.]

1 Piero Sraffa, "Production of Commodities by Means of Commodities: Prelude to a Critique of Economic Theory", Cambridge, 1960, pp 9-10.
2 *Ibid,* p 38.
3 Charles Bettelheim, "Theoretical Comments", in Appendix I to Arghiri Emmanuel, "Unequal Exchange: A Study of the Imperialism of Trade", p 300.
4 Karl Marx, "Capital" Volume I, p 560.
5 *Ibid,* p 604.
6 Charles Bettelheim, *op cit,* pp 301-302.
7 *Ibid,* p 301.
8 Arghiri Emmanuel, *op cit,* pp 424-425.
9 *Ibid,* p 177.
10 Letter to Marx, October 7, 1858, "Marx on Britain", Moscow 1953, pp 491-492.
11 Nikolai Bukharin, "Imperialism and World Economy", International Publishers, New York, 1929, pp 164-165.
12 Arghiri Emmanuel, *op cit,* p 197, footnote 20.
13 *Ibid,* pp 177-179.
14 *Ibid,* pp 179-180.
15 Charles Bettelheim, *op cit,* p 272.
16 *Ibid,* Appendix III, pp 343-44.
17 *Ibid,* Appendix I, pp 300-303.
18 *Ibid,* p 305.
19 *Ibid,* p 305.
20 *Ibid,* p 352.
21 Karl Marx, "The Poverty of Philosophy", Foreign Languages Publishing House, Moscow, p 253.

Community Health Worker Scheme: A Plan for Democratisation

Mark Nichter

The Community Health Worker (CHW) scheme announced soon after the formation of the Janata party government at the Centre, while laudable in its aims, has been poorly implemented. The failure of the scheme can be traced to some serious drawbacks in the founding principles of the scheme itself.

This article, while broadly supporting the spirit and philosophy inherent in the Raj Narain scheme, proposes an alternative plan of community health service whose structure is more democratic, and whose working will be more responsive to the felt needs of the rural population.

ON April 20, 1977, Raj Narain, at that time Union Minister for Health and Family Welfare, announced the creation of a new type of Community Health Worker Scheme to increase health care delivery to the rural poor. The scheme was introduced with modification in selected districts of those states accepting the programme. Reports on the success of the scheme have been controversial. Cases have been cited where individual CHWs have been found to perform their duties remarkably well,[1] but as an overall programme, the Raj Narain Plan, while being laudable in spirit, leaves much to be desired in terms of implementation. In the words of one district health officer, "the scheme is a premature baby; its survival requires a lot of special care, but who can give that kind of care? We in the Health Department barely have enough time to supervise our own staff ... the idea is good, no doubt, but a seed is only as good as the soil into which it is put. Someone should have done some ploughing first and someone should be there for weeding".

These comments are revealing when one reviews evaluations of the scheme's implementation. Take, for example, reports submitted by the Institute of Economic Growth,[2] on the villager's perception of the CHW and CHW's pre-conception of what their role should be; or the report by the Department of Linguistics of the University of Delhi,[3] on the communicability and comprehensibility of the CHW Training Manual. It has commonly been the case that aspiring CHWs are not well informed about the scheme, many jobless opportunists are attracted to the programme as a source of imagined employment and local political leaders do not act in the interests of the community in making CHW selections. The scheme has by and large not engendered community support because local political figures and not laymen primarily constitute health committees. Manuals for instruction have been naively prepared without the knowledge of local language (particularly disease and body terminology) or the villagers' cognitive framework. This has fostered the development of health education strategies which, instead of being culturally appropriate, are a figment of some writer's imagination and preconceived notions.

The poor foundation of the CHW scheme — candidate selection, perception of the CHW role and organisation of instruction — discloses the poverty of its implementation. The same point could be made about the quality of preparatory orientation given to CHW trainers or the disinterest of PHC staff in administering the scheme, etc, but this is not the purpose of this article. Our purpose is rather to suggest a viable alternative to the existing Raj Narain scheme; a plan which may be explored in concept if not in content by health planners and concerned politicians. The plan retains, if not accentuates, the spirit and philosophy of the Raj Narain scheme, but alters the form of implementation and development.

The present plan places emphasis on preliminary groundwork preceding CHW candidate selection, training course organisation and implementation. This groundwork would include targeted community diagnosis research and greater community awareness of its role in establishing and shaping a village level primary health care resource. Without a preliminary community diagnosis of existing nutrition, health and medical ideology/behaviour, the development of culturally appropriate health education strategies is impossible. Without knowledge of community felt needs and credence paid to these needs, the initiation of genuine ongoing community support will lag far behind the expectations of health planners and concerned politicians.

The present plan calls for a greater flexibility in the organisation of local CHW programmes, increased decentralisation and deinstitutionalisation of the overall scheme, and greater community control of the health services provided for its benefit. It calls for a CHW network which is autonomous although complementary to the government medical care network. The existence of two separate interrelated health care networks will ensure that the community has an opportunity to articulate its views in regard to the type of medical services that are presently being provided. The health department, on the other hand, will have an opportunity to demonstrate the effectiveness of its programmes provided that community support is realised. Once it is initiated, community input may play an important role in the restructuring of government health activities; a role at first critical and then constructive. Moreover, the role of the CHW could emerge as that of a primary health care resource responsible to the community as opposed to another cadre of health auxiliary or doctors' assistants responsible to the health bureaucracy. If the CHW's role retains the latter status, it is doubtful that ongoing community support will be mobilised unless such support is the outcome of the personal charisma of an outstanding incumbent.

Rather than banking on one person, the plan places emphasis on the development of a strong base. Village health committees will only be able to gain widespread interest and support by the community when vested with specific powers and responsibilities which will affect the populace at large. Individual CHWs will only feel free to express community dissatisfactions and felt needs when a support system in the form of the CHW 'grand panchayat' exists. The grand panchayat will be able to amplify the voice of one village into the voice of many. The CHW will suffer the same fate as the multipurpose worker or the PHC doctor unless there is people's medical co-

operative which can ensure a reliable and continuous supply of simple medicines within the reach of the poor, demonstrate the power of co-operative action and maximise the services and training of CHW and PHC staff alike.

The plan is presented from below. Attention will first be directed toward preliminary research necessary for the planning of regional CHW programmes. Following a discussion of how a community diagnosis element may be introduced into the CHW scheme, selection of initial impact sites and the initiation of Village Health Committees is considered. Next, the concept of culturally relevant CHW training is briefly considered as well as the formation of medical co-operatives as tangible incentives for the existence of a village health committee. This discussion is followed by a model of how such a scheme might be administered if it became possible for the scheme to be disentangled from government medical service which suffers from its own organisational weaknesses, supervision problems, and resource restraints.

Organisation of Community Diagnosis Teams

Initially, a study of typical village and town health arenas in an impact taluk in each district should be conducted by a community diagnosis research team led by an experienced team leader. One research team leader for each district should receive training at a state level community diagnosis training/research centre. Candidates should be social scientists with previous research experience. Training should primarily be practical in-field instruction and instructors should have already carried out a successful community diagnosis study themselves. A procedure for community diagnosis should be followed but each team leader should have to demonstrate an ability to adapt the methodology to a different set of research conditions. Guidelines for such studies are presently being drawn up by an exploratory community diagnosis research project.[4] As experience in community diagnosis methodology increases, the state level community diagnosis research centre will be responsible for disseminating new ideas and holding workshops for team leaders.

Team leaders should be assisted by one or more social scientists undergoing apprenticeships in community diagnosis. These apprentices will become future research team leaders. They should preferably have past fieldwork experience.

Interviewer instructors should be chosen for future project work in the district from a group of interviewers selected to carry out a battery of open-ended suveys on nutrition, health and medical ideology/behaviour. Interviewers who demonstrate a good field technique, interest in community development work, self initiative and responsibility should be retained after the survey work is completed. They will work as core staff research assistants in training for positions as interviewer instructors in successive district projects. They will assist in data tabulation and follow up research as well as function as community organisers communicating to villagers in an impact zone the nature of the CHW scheme and the function and benefits open to village health committees.

The number of interviewers should be in accord with the socio-demographic make-up of the area selected for study as well as the capacity of core staff to adequately supervise their fieldworkers. Personnel should be selected on the basis of four day field trials and an interest in community development, and not merely by academic qualifications. Whenever possible, male and female candidates should be balanced. The age of the interviewer is not as important as the respect that the interviewer can elicit in the community.

The state level community diagnosis research/training centre should have at its disposal, if not on its staff, a nutritionist, and epidemiologist, a pediatrician, an applied linguist, and a tropical disease technical advisor. Formal links should be established between the centre and health related research centres, departments of social and preventive medicine, etc. Post-graduate candidates should be encouraged to utilise the data collected by research teams and thus take part in analysis work as part of their graduate study. This will acquaint them with the facts of rural reality and bring to light new aspects of behaviour patterns. At the same time advice offered by these researchers on data to be collected can serve to improve the quality and breath of field research undertaken. Each district should, moreover, have honorary medical advisors appointed to assist the community diagnosis research team and later the CHW training staff and CHW grand panchayats.

Community Diagnosis Research

Research into the following topics should be undertaken by local teams. The variables of class, caste, education, age, and locale (interior village, progressive village, town) should be taken into account when these variables are relevant.

Local concepts of physiolyogy. work cycles, economic cycles, weights and measures system.

Local concepts of physiology. Prevalent notions of disease etiology and contagion.

Illness terminology and classification, including the signs and symptoms associated with folk illness categories. Also, all notions of illness transformation and progression into different categories of illness states.

Local preventive, and promotive health measures.

The nutritional context: (a) foods available, season, cost; (b) means of preservation; (c) maximisation of available foods in different seasons; (d) qualitative food classification and their influence on diet during illness, pregnancy and post partum; and (e) child feeding practices.

Present medical behaviour in relation to the utilisation of home remedies, indigenous medicines and doctor's medicines.

Illness specific patterns of resort in the use of co-existing pluralistic therapy systems and reasons for such patterns (economic, social, cultural, etc) among rural and town populations.

Survey data on health expenditure by the lay population.

A spot map of all existing health manpower residing in the impact zone.

Felt health and development needs expressed by social groups residing in the survey area, as well as data on attitudes toward the Community Health Worker Scheme, and the construction of village health committees.

Selection of Impact Sites

Community Diagnosis staff members should initially disseminate information about the CHW scheme towards the end of their study period when surveying felt needs. After concluding initial research work they should spend additional time in a pre-chosen impact zone explaining the scheme to villagers lying within a given economic status ceiling.

It is essential that voting members of the VHC should fall within a fixed economic ceiling approximating the economic capacity of the majority of people living in the area. Wealthier villagers, it is reasoned, will provide for their own health needs regardless of the existence of CHW and VHC. Inclusion of wealthier villagers will, moreover, increase tangential political acti-

vity and influence peddling. However, wealthier villagers may be invited to attend the VHC and become members of the village medical co-operative, particularly if they are service minded. Moreover, it should be the VHC's prerogative to choose a person of any income status as a CHW for the village.

On the basis of the response generated, researchers should prepare a list of those villages showing most interest in the scheme. From this list, villages displaying the greatest degree of social cohesion and the least number of existing health resources should be selected as impact villages. Community diagnosis team members should visit these villages and arrange for well publicised public meetings so that the populace can air its views on how a village health committee should be chosen and organised. As a means of initiating discussion at these meetings, community diagnosis staff should present their findings on this subject from the felt needs survey undertaken. Villagers, at the meeting, should be told the benefits of entering the programme as well as the responsibilities of the community. Incentives would include training for a local candidate in first aid and promotive health, a small supply of basic medicines to be administered to the poor, and seed money for the establishment of a medical co-operative. Responsibilities of the VHC would be the formation and bi-monthly meeting of a village health committee, assistance in the evaluation of CHW performance and management of the local medical co-operative.

Ideally, a short film could be made in each socio-linguistic region realistically depicting the life, training, and duties of the CHW and the organisation of the VHC and medical co-operative. Such a film would be a good means of gathering the rural populace. It could be accompanied by talks with CHWs from existing programmes.

The selection of members of a VHC should follow the mandate decided at the public meeting. At the time of choosing the health committee, terms of membership should be established and a procedure should be set up for the public review of village health committee activities.

It is advisable to organise VHC and train CHWs in stages. Initial impact villages should not be grouped together but should be situated amidst two to four uncovered villages. These other villages will have an opportunity to see the scheme in action and if the scheme is successful, uncovered villages will request inclusion into phase two programmes instead of having to be sold the idea. Moreover, experience has proved that initial CHW candidates are often unemployed and think that the post will lead to permanent employment. It will soon become clear that such is not the case and candidates in phase two may be of a more appropriate type. The weeding out of opportunists will thus become easier in progressive stages of the scheme.

Training

It is strongly suggested that trainers should not be PHC staff members. There are many reasons for this. PHC staff are already overworked, and it is rare to find a PHC doctor who feels that he can adequately supervise his existing staff let alone assist in the training and supervision of another cadre of workers. Moreover, the popularity of the scheme will initially be greater if it is dissociated from the PHC. Initial contact with PHC staff will create the wrong impression that the CHWs are junior members of the PHC staff. At all times, it should be stressed that the role of the CHW and PHC staff are complementary.

It would be better if a mix of interested house surgeons desiring to enter government service and a few respected rural practitioners be selected as trainers. These trainers should be given guidance and support from district health educators, departments of social and preventive medicine in nearby medical colleges, and members of a district level CHW steering committee. House surgeons are considered to be a good choice as trainers, as CHWs will be less intimidated by them than by established doctors. These younger doctors, it is reasoned, will be more accessible to CHWs who will view them as a source of technical knowledge.

Before being able to train CHWs, the prospective trainers must undergo an orientation course. This course should be broken into three sections. First, trainers should read a copy of the report submitted by the community diagnosis team. A few days of discussion and dialogue should follow organised by the community diagnosis research team. Next, the house surgeons should undergo a two week live-in period with members of the community diagnosis team. They should not practice medicine during this period, but rather enter into the cognitive universe of the layman by attending interviews, carrying out a few surveys, and engaging in dialogue with indigenous practitioners. Prospective trainers should undergo a brief training course in the organisation of lesson plans and the medical context of the CHW programme. The curriculum of the training course should be flexible enough to accommodate the recommendations of prospective trainers following their field orientation and the expressed felt needs of villagers elicited by community diagnosis team members. Of particular importance here is patterns of resort data in respect to preferred forms of treatment for specific diseases. CHWs should receive training in appropriate allopathic and alternative therapies in accord with the preferences of the local population. Where no clearly effective preferred therapy type is known, CHWs may be trained in the eclectic administration of both allopathic and indigenous therapies enhancing the patient's chance of recovery.

Community diagnosis team members should play an active part in the latter stages of the training course. They should assist by helping trainers anticipate reactions to new ideas. It is imperative that CHW education courses prepare prospective CHWs to confront existing ideas which either clash or support modern health ideology. Informed educational strategies should be planned accordingly.

Training should encourage the maximisation of locally available resources and manpower. Ideally, the CHW should become a liaison between local sources of therapy and specialist services. CHWs should be encouraged to enter into referral networks of their local health arenas and provide triage service as opposed to competing with existing practitioners. They should be seen as a source of assistance and not as a competitive threat. In this regard, CHWs and project staff should become familiar with local practitioners, explain their purpose and ask for their assistance. Where deemed appropriate by the community, local practitioners can be asked to be honorary members or advisors to the VHC.

It should be made clear from the beginning that CHWs are not being trained as doctors' assistants or extenders. Their work should be defined as primarily involved with preventive and promotive health. The early treatment and recognition of minor ailments, which can develop into major diseases if neglected, should be presented as one aspect of preventive health. However training in first aid should not overshadow training in nutrition, and practical means of enhancing environmental health. Specific suggestions on

the alteration of diet and improvement of health habits can be made after data collected by community diagnosis staff on existing dietary and health habits has been reviewed by the CHW training staff.

Training courses should be organised during months when essential agricultural operations are not taking place. Initial training should be of short duration, preferably no longer than four weeks. After this, CHW novices should start a first aid station in their village. For three months, the CHWs should attend weekend courses geared toward specific skills as a means of upgrading their knowledge. CHWs should be encouraged to suggest topics for these weekend courses. First aid should be initially stressed because it is doubtful that villagers will listen to the advice of the CHWs until they prove their worth. Gradually, the emphasis of CHW training should be directed towards nutritional and environmental health issues. Ongoing education after the third month should be available upon request from a CHW grand panchayat.

The training of a second batch of CHWs in phase two should benefit from the experience of phase one. Trainers should better be able to anticipate difficulties and unforeseen subject areas demanding increased attention. Moreover, CHWs from phase one should play an instrumental part in the reorganisation of training material and in the training of colleagues in the field. Members of the CHW grand panchayat should have the power to replace ineffective training staff.

Location for training courses should be strategic in accord with transport facilities. Whenever possible, training courses should be in rural settings, having no oppressive connotations. For this reason, panchayat halls, temples, and schools are more advisable than PHCs or taluk board hospitals.

Evaluation of CHWs

After training of the first batch of CHWs has been completed, novices should undergo a three month trial period during which time they should be given weekly supervision and support by members of the training team and the community diagnosis team. Once a weak for at least two months, one trainer should visit the village thus demonstrating ongoing support. This will also give the CHW a chance to ask practical questions about specific cases. Evaluation of CHWs should be based on observation of their fieldwork and not by written examinations.

The village health committee should evaluate the work of CHWs in terms of their interest in work, availability, and general community opinion. If the VHC is not satisfied with the CHW's performance, they may request that the CHW return the allocated medicine kit and find an alternative candidate for the next training period. All cases of dissatisfaction should be investigated by community diagnosis fieldstaff during phase one and later by the CHW grand panchayat to minimise cases of petty jealousies.

CHW novices who have undergone the three month trial period to the satisfaction of the VHC and their trainers will become members of a taluk level grand panchayat of CHWs. This panchayat will have the responsibility of suggesting and planning additional short-term training courses. It should exercise the right to call to the medical officers attention PHC personnel whose work is not deemed up to standard by village health committees. Complaints may be addressed to the ADHO when they pertain to the work of PHC doctors and senior health staff. This would be the case when senior staff do not pay credence to cases referred by CHWs. A procedure for airing grievances is essential if an effective triage system is to be established between CHWs, PHC field staff, and medical personnel.

Experienced CHWs who have undergone considerable additional training and who have proven themselves in the field may be asked to take part in the evaluation of junior CHWs and to become advisors or assistants for CHW trainers during new training courses.

Village Health Co-Operative

The village health committee should initially be given seed money for the establishment of a medical co-operative. Drugs stocked will vary with the requirements of the community, storage facilities, distance to formal sources of medical care and supplies, medical personnel residing in the area and the level of training of the CHW. If the CHW is the only medical resource, medicines stocked should reflect the disease specific training sessions attended by the CHW as arranged by the CHW grand panchayat or CHW training staff. It should be possible for specific CHWs to gain knowledge of particular diseases if these diseases are chronic, especially if the villagers have no recourse to medical assistance at present. Therefore, the medicine content of co-operatives will vary. Provision should be made for purchasing the initial supply of basic medicine. This amount may be increased for the purchase of additional drugs if trained personnel exist to administer them and if the community provides a percentage of the seed money towards the purchase.

Funds, and not medicine, should be supplied to medical co-operatives, in order to give each community a chance to manage its own supplies, so that each community is not dependent on the government medicine distribution system which has its own drawbacks. Moreover, villagers question the efficacy of government medicines due to past experiences, which may in reality have had more to do with dosage and supply than quality. In any case, grand panchayats should purchase large stocks of medicine from reputable sources. If reordering periods fall outside a village's time of need, such a village will be in a position to order drugs locally for the duration. District steering committee representatives should give guidance to CHW grand panchayats about the ordering of drugs, generic names, and reputable sources.

Medicine is to be sold to villagers at cost, or if the VHC deems it appropriate, at a slight profit margin. These medicines may be recommended by a local CHW, a PHC staff member, or be prescribed by private or government doctors. Medicine supplied by the government to CHWs in kit form (Rs 600 yearly) may be used for the very poor (as defined by the village health committee) or as initial doses of medicine to be issued by the CHW during field visits and to be followed up by medicines purchased by the patient.

The CHW grand panchayat should work jointly with the BDO in procuring ready supplies of local medicines, available organic supplements which can be preserved and locally produced tonics, nutrition supplement biscuits, etc. If there is tremendous felt need among villagers in some regions for tonics, which on the commercial market are overpriced and of a higher strength than is required, small-scale industry grants should be awarded to local parties to meet this felt need. These grants should be sanctioned by the CHW grand panchayat and BDO after the local mixture has been approved by a nutrition expert. Moreover, subsidies should be awarded for the procuring and distribution of seeds and seedlings of those plants which are high in the vitamins and minerals deficient in the area. CHWs should have access to a supply of food supplements for cases of severe protein and calorie malnutrition such as exists for school feeding programmes.

The medical co-operative should be initiated only after a village health committee has been formed, a CHW has undergone both training and an initial three month trial period, and a place

for the storage of medicine provided by the VHC has been approved by the CHW training staff. The prices of all medicine should be posted in public and records of co-operative sales should be open for public inspection and should be submitted quarterly to the CHW grand panchayat. A charge for treatment by CHW (10 to 20 paise) may be fixed by the village health committee for those who can afford to pay.

CHW Grand Panchayat

Six months after their initial training and successful evaluation, CHW novices should become members of a taluk level grand panchayat. This panchayat should meet monthly to plan new training courses, reorder essential medicines for medical co-operatives, hear grievances, and discuss new health information and plans for community health programmes. The panchayat should be a whole day affair with the morning being reserved for a general metting attended by CHWs only, and the afternoon reserved for a general meeting with the members of the block development office and community diagnosis staff, the ADHO and senior PHC staff, and other advisors. The grand panchayat should not come under the control of the health department but be an interdependent body attached to the BDO and supervised by the district steering committee representatives. It should have at its disposal a part time typist and accountant.

Replication

CHWs from impact villages should each familiarise the populace of two neighbouring villages with the scheme and assist the leaders of these villages in the planning of meetings towards the formation of village health committees. They should be assisted by the community diagnosis team now in its last stage of work in the taluk. The CHW grand panchayat should suggest changes in the training curriculum and should plan on playing an active part in the field training of new candidates. They should offer support to new candidates in much the same way as community diagnosis staff did in phase one.

The second batch of candidates should be trained no sooner than five months after the training of the first batch of CHWs has been completed allowing time for an initial evaluation of phase one activities, the creation of a grand panchayat, and the introduction of medical co-operatives.

With the start of phase two, some sixteen months after the initiation of the scheme, core staff from the community diagnosis staff should split into two or three groups depending on the number of team leaders undergoing apprenticeship. The team leaders should choose one interviewer from the present project as an assistant-cum-interviewer/instructor. Interviewers having potential as instructors should be retained as core staff after the completion of the initial four-month survey conducted by local interviewers. They should assist senior core staff in their various activities associated with the formation of village health committees and the development of educational strategies for CHW training.

New research teams can be dispatched to nearby districts or taluks requiring individual community diagnosis studies in accord with differential socio-cultural conditions. The differences between taluks should be considered by core research staff when entering a district so they can estimate the radius of relevance of their survey findings. New research teams should arrange meetings between potential impact villages and experienced CHWs in areas where the scheme is already in progress.

Administration of CHW Scheme

A state level steering committee should oversee the development of the CHW scheme. The steering committee should comprise the state health minister and health secretary (who should act as committee co-ordinator) and at least two health education experts from departments of social and preventive medicine in state medical colleges, two social scientists representing the state level community diagnosis research training centre, two nutrition experts, an expert in indigenous medicine and members of voluntary agencies supporting different aspects of the CHW scheme or similar alternative health care delivery programmes. The Committee should be backed up by a staff of three public health officers with health planning and management experience recruited through the civil service. Each of the three public health officers should eventually be assisted by an experienced community diagnosis team leader. A staff of accountants responsible for the administration of medical co-operative funds and supplies, and clerical staff responsible for dissemination of information pertinent to the CHW programme should also provide backup.

The central steering committee should have two district level staff officers in each district covered by the scheme. These officers should eventually be recruited from former CHW (medical) training staff. They should be assisted by two to four former community diagnosis interviewer trainers. The role of these representatives and staff should be to oversee the planning of training courses and regional CHW grand panchayat activities. They should, moreover, be responsible for the selection of CHW trainers and organisation of CHW training schemes.

A community diagnosis research training centre should be established in each state and should come under the control of the health secretary. The purpose of this training centre will be to train project leaders in field and impart administrative skills necessary for initiating regional community diagnostic studies. The centre will be rural based and its initial goal will be to train one team leader for each district in the state. These leaders will then train future team leaders who will work in other taluks through an apprenticeship system. The centre should be a repository for regional data bases on nutrition, health, and medical ideology and behaviour. The centres should sponsor and co-ordinate ongoing research and should take an active part in the field evaluation of the CHW scheme as it proceeds during different stages of development. It should also assist in the evaluation of other national and state level community welfare schemes. This would provide an in-field feedback mechanism which would facilitate community expression, in as much as regional research teams are primarily composed of local candidates whose job it is to move within the community.

The work of CHW should be complementary to that of PHC field staff. However, a CHW is responsible to the community not to the health bureaucracy. PCH staff may request the assistance of CHWs in planning vaccination campaigns, disseminating information about family planning camps, etc. At no time, however, should PHC staff members have the authority to pressure CHWs into fulfilling targets or participating in campaigns without the expressed consent of the CHW grand panchayat. CHWs should have the mandate to request PHC staff to participate in vaccination camps which they organise and to take part in village health committee sponsored programmes such as first aid courses, children's weigh-in days, etc. Local PHC staff should attend village health committee meetings when requested, and PHC senior staff members should attend bi-monthly afternoon meetings of the CHW grand panchayat and a CHW grand panchayat liaison committee should be set up to co-ordinate the joint activities of the two complementary health resources. Most importantly, the CHWs, the PHC field-

staff and government doctors must work together in forming a medical lifeline, a triage system from the village to the hospital.

Some Conclusions

How difficult would it be to carry out the envisioned scheme on the ground? While comments cannot be made about implementation on the state level in respect to the health bureaucracy, a few comments can be made concerning the feasibility of implementation at the local level. These comments are made on the basis of three years of ethno-medical analysis of rural health arenas in South India by the author, numerous discussions and interviews with Indian colleagues, and a ten-month exploratory community diagnosis project recently conducted in the North and South Kanara districts of Karnataka.

Community diagnosis teams, it was found by experience, could construct data bases of essential health ideology and behaviour patterns within the time frame prescribed. They were able to generate relevant dialogue about community felt needs and propagate the concept of the CHW and village health committees. This was only possible after first gaining the confidence of the community by their hard work, culturally appropriate method of asking questions, and their ability to demonstrate the benefit of co-operative action in other spheres.

A broad cross-section of villagers surveyed overwhelmingly favoured CHW scheme's autonomy from the PHC, the idea of a local medical co-operative, the concept of a CHW charging 10-20 paise per service and the waiving of such charges to those in dire need as defined by the village health committee.

In areas having different socio-demographic patterns, ideas about who the CHW should be (age, sex, married/single), how the CHW should be selected (open meeting, by caste leaders, by panchayat, etc) and how a village health committee should be constituted (membership, terms, etc) were significantly different, thus laying emphasis on the need for a flexible CHW implementation scheme to meet the needs of the people concerned.

Regional trends exist in respect to the different types of medicine villagers prefer for a variety of common illnesses (of biomedical as well as ethno-medical origin). The populace expressed a desire for CHWs to be trained in medicine according to their preferences when feasible. If such medicine proved to be non-effective they noted that this would soon become clear and CHWs could be requested to provide alternative forms of medicine.

Potential CHWs expressed a general preference to be instructed by young doctors as opposed to established doctors who they perceived as being distant from them.

Interviews with final year medical students from several medical schools revealed that many of those young doctors who once considered rural practice (for two years or more) were now cold towards the prospect primarily because (a) of the ambiguity of what rural work entailed, (b) rural work was generally perceived as sitting alone in a rural clinic without a reliable supply of basic medicines, (c) in respect to government service, the amount of paper and administrative work was overwhelming. It may be noted that many of these students had visited or talked to PHC doctors about the reality of village work. When confronted with the concept of the CHW trainer, many young doctors considered the idea good and expressed interest in the programme. To our surprise, many particularly liked the idea of gaining initial orientation and experience by spending time in a rural area with community diagnosis team members who would act as their guides and direct them to priority areas of consideration.

Interviews with district health and PHC staff revealed that they were only too happy to disentangle themselves from the added burden of administration and supervision of the CHW programme. All senior staff members interviewed noted that it would be better to focus their attention on clearing up their own house before accepting new responsibilities. While some staff members spoke favourably of the philosophy of the CHW programme a large majority had serious doubts and misgivings about its worth (aside from the issue of implementation) and could not be considered as the most appropriate motivators for the scheme. Many doctors still felt that the scheme was misconceived and that what was really needed was more mobile units and PHC workers.

With respect to the last comment, a few words may be said about the misconceived notion that increased coverage by PHC staff will improve the quality of health care. Recently the Karnataka government carried out a 'total health care scheme' in model villages in each district. PHC staff was increased to the optimum, mobile clinics (or temporary sub-centres) were established, and PHC staff attempted to mobilise community support by approaching 'local leaders'. While government reports were full of self praise, investigation by project staff found the programme to have had little positive effect on the community and in fact to have had a number of negative ramifications. The most serious ramification was a further loss of credibility by the health department and increased suspicion of government health programmes which provided sporadic health activity without continuity of care. The services of government staff were not maximised (although the presence of a doctor was welcomed) because staff were perceived as outsiders scrambling for targets while having no responsibility to the community. The issue then is not simply greater coverage but more responsible coverage of rural areas facilitating the organisation of a workable triage system.

Qualitative measures used for the evaluation of programme did not reflect the reality of government health activity in the villages. Let me cite an example. Checking vaccination statistics (which are generally grossly exaggerated), project staff found that less than 20 per cent of villagers receiving vaccination in a sample of 300 households had any idea of what vaccinations they had received. None had received explanations about the way in which a vaccination worked or what its purpose was outside of being told it was 'good for health'.[5] This finding from 'model total health care villages' was cross checked in villages where PHCs were located and where ongoing activities had been present for many years. The same results were found.

The last point highlights the need for both community diagnosis and public participation in the evaluation of government health services. In order for the government health service to evaluate and plan its activities in the best interests of the community, it is obvious that local feedback is necessary. At present, the occasional spot visits by the DHO and ADHO do not provide the kind of feedback which is required for evaluation purposes. PHC fieldstaff continue to exaggerate the extent of their work and are reluctant to critically evaluate the programmes for fear of reprisal for not reaching targets or satisfying the statistical interests of their superiors. It is time that we look beyond statistics as a measure of the value of the present health services. A qualitative dimension must be added to regional health planning and the evaluation of programme outcomes; and the community diagnosis team and CHW could provide this dimension if some degree of autonomy

exists. Democratisation of health services in India can only be gained when such community participation is realised.

Notes

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The author would like to acknowledge the hard work of fifteen local members of Project Community Diagnosis from Ankola Taluk, North Kanara, and Puttur/Bantval Talukas of South Kanara, Karnataka. Special thanks are due to K H Bhat, Project Co-ordinator, Srinivas Devadiga, Chief Research Assistant, and Mini Nitcher, Applied Linguistics Consultant. The author is grateful to Macaden (Hubli Hospital for the Handicapped) and Luis Barreto (Mahatma Gandhi Medical School) for comments on the proposed scheme in its earlier stages. Thanks also go to Government Health Staff and private practitioners residing in the areas in which fieldwork was conducted for their co-operation, patience and frankness.]

1 See, for example, reports by the KEM Hospital, Pune on the Community Health Workers of Vadu Budruh project. Success here may largely be attributed to the back-up support and encouragement given to CHWs by the hospital staff who worked in collaboration with the Government of Maharashtra and Zilla Parishad, Pune in implementing the scheme.

2 "An Assessment of the New Rural Health Scheme and Suggestions For Improvement: An Evaluation of the CHW Scheme" by Ashish Bose, Institute of Economic Growth, Delhi 1978. Complementary findings are reported by Radhika Ramasubban, "Health Care for the People: The Emperics of the New Rural Health Scheme", Giri Institute of Development Studies Lucknow, 1978. The author's own observations and investigations corroborate most of these critical findings.

3 See the two volume evaluation report "Communicability and Comprehensibility of the Manual for CHWs" by R N Srivastava and others, Department of Linguistics, University of Delhi (UNICEF, 1978).

4 A Community Diagnosis Methodology Guide is presently being written by K H Bhat and myself based on the experience of Project Community Diagnosis carried out in Karnataka.

5 Community Diagnosis staff in North Kanara used local concepts to explain to villagers the action of vaccination and the reason for side effects. Explanations were well received and a large number of families formally opposed to receiving vaccinations requested them. PHC health staff are not properly trained to communicate with villagers within their own cognitive framework.

Minority Segment in Indian Polity

A Further Comment

Ashgar Ali Engineer

IN his comment on Rasheeduddin Khan's article *(EPW,* September 2, 1978) A B Shah writes: "It is the group identity of the Muslims, defined almost *exclusively in terms of religion,* which has kept them at what Rasheeduddin Khan calls, with some exaggeration, 'the lowest rung of the ladder' in terms of socio-economic development: the Muslims are backward in terms of almost all categories of development but the scheduled castes and scheduled tribes, who constitute respectively 15 and 7 per cent of the total population of India, have been more backward. However, the cases of backwardness are different in the two cases. The scheduled castes and scheduled tribes are mainly the victims of traditional Hindu religions and of exploitation at the hands of the non-tribal people. The Muslims on the other hand, are backward mainly because they refuse to shake off the cultural heritage and identify themselves with the rest of the nation" *(EPW,* November 18, 1978, emphasis added).

This is the typical position of most of the non-Marxist intellectuals who talk of modernisation in an abstract way divorced from the concrete historical situation. They fail to understand that unless there is change in the social base there cannot be any change in the superstructure. This is not to deny the tenacity of the religious influence on one's behaviour. As Max Webber correctly maintained, man's economic system itself may be governed by their systems of beliefs, just as at a given moment systems of belief may be governed by the economic system. It must also be noted that Max Webber's postulate is more true for revealed religions like Christianity or Islam than for the non-doctrinaire religions like Hinduism.

In this sense one can say that the Muslims are influenced by their religion but, it would not be correct to maintain that the resistance to change among the Muslims is only due to religious factor. This resistance to change is as much on account of the economic backwardness of the Muslims. It is surprising that completely oblivious of the concrete realities, Shah goes to the extent of saying that "the community which refused to equip itself with the knowledge of skills required in the modern world cannot register significant progress in any field of life. For instance according to Basheer Ahmed Syed, a former judge in the Madras high court, the incidence of literacy among the Muslim males in india in 1971 was about 10 per cent and that among the Muslim females only about 0.5 per cent. Most of these persons would have studied in madrasas and dropped out after a few years of elementary education. Very few of them go to college even today and still fewer study science which is a precondition for entry into professional colleges." Shah forgets that such a deplorably low percentage of literacy among Muslims is mainly on account of poverty and economic backwardness. These comments would have been more relevant for 19th century Muslims in India. Today Muslims are not opposed to the idea of modern education. The high rate of drop-outs, borne out by a number of field studies, is characteristic of all the poorer sections of the society. The lower rate of literacy among Muslim women may to some extent be ascribed to a conservative outlook, but the conservatism again is reinforced by material and economic backwardness. It should be noted that conservatism itself is more a social than a religious phenomena. It is not rare to find more enlightened followers of the same religion interpreting it in a way conducive to encourage modernisation. If Islam is a positive hindrance, no believing Muslim would ever advocate any change or reinterpretation of Islam for ushering in any modern change. But this is not borne out by the facts.

Lack of modern scientific education among the Muslims is not so much on account of their "crippling cultural heritage and identity" as on account of their poverty. If public service commissions in the states and in the Centre do not find suitable Muslim candidates to a great extent it may be because of the fact that very few Muslims have

adequate professional qualifications. This is not to plead for reservation of jobs for Muslims, but something has to be done to improve their economic status in general. Conservative Muslim leadership is certainly guilty of neglecting the socio-economic problems of Indian Muslims and playing up chauvinistic issues like Muslim personal law, character of the Aligarh Muslim University, status of Urdu, etc.

Shah raises some important questions. "Is all cultural assimilation unjust and to be condemned? If one believes in a modern secular and humane society should not one, on the contrary, seek to promote the development of a culture appropriate to such a society? Should one, instead continue harping on the past — which in India is one of conflict and division — and emphasise language and religion to the exclusion of other dimension of individual and group identity?" Certainly no one, except a few belonging to the lunatic fringe, would denounce cultural assimilation as totally unjust. Islam would not have spread in India without cultural assimilation and without adopting native customs. Even the most orthodox Mullah, let alone the vast masses of Muslims, is a product of the Indo-Islamic culture. But even if Muslims do fear cultural assimilation, one need not be alarmed by this fact. Minorities everywhere are known to harbour such a fear. It should be condemned only when it assumes certain undesirable chauvinistic and aggressive forms. The concept of a distinct identity is not altogether alien to a democratic society, in fact it is the very spirit of it. As Balraj Puri rightly maintains ('Autonomy and Participation — Dimensions of Indian Muslim Identity', *EPW*, October 7, 1978) the intensity of Muslim identification with national sentiments can vary with time and issue. The emotional reaction to the emergence of Bangladesh was, for instance, far more intense in West Bengal than elsewhere in the country. Indeed, Muslim identity is as much linked with regional and cultural factors as with their religion, Islam. The bond of Islam may not be "tenuous", but it is certainly not so strong as to survive aggravation of regional and cultural crisis — witness the break-up of Pakistan.

Another important problem which is in a way linked up with the problem of identity is that a modernisation. When Kemal Pasha imposed social reforms in Turkey, Turkish society which had by that time produced a class equipped with the future vision of a modern Turkey was ready for them. The imperial structure of the Ottomans was in a shambles and a new democratic Turkey was emerging. With these profound changes in the social base, the old superstructure could not have continued. In contrast, when King Amanullah of Afghanistan tried to introduce modern reforms in a largely feudal society (abolition of purdah, women's education, etc) he had to face strong opposition of the mullahs and the tribal chiefs and has to finally flee the country.

In India too, unless the socio-economic conditions of the Muslims improve, modern reforms, however benevolently or even firmly imposed from above, will not strike roots. If the Muslims in India or anywhere in the world for that matter ever achieve economic status which the Christians have achieved in the western countries the Islamic injunctions would become merely formal — as indeed Christian injunctions are in much of the Christian West. For instance, though the practice of usury is banned by Islam, the merchant communities among the Muslims have always practised usury without any sense of guilt.

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Faces of Stability

MANY things have contributed to the remarkable showing of the Congress (I), and the personal triumph of Indira Gandhi in the Lok Sabha polls. She certainly possessed many advantages — the in-fighting and split in the Janata party, the long period of caretakership that preceded the polls and the appearance of drift and sloth in the management of the economy, the anxieties of the minorities regarding the prospect of a return of the Janata party government, the general impression created by her opponents themselves that their government was notable for its 'non-performance' — all of which she exploited to the hilt. She was also shrewd enough to sow further divisions among her opponents, and the sustained campaign about impending defections to her party even days before the polls did not contribute to the opposition appearing as a functioning, naturally-born-to-rule party of the government. In contrast, Indira Gandhi successfully projected herself as naturally destined to rule the country.

Above all, simple arithmetic and slightly less simple statistics worked to her advantage. Barring the traditional stronghold of the Congress (I) in Andhra Pradesh and Karnataka, the Congress (I) has won in most other places on a minority vote. Nationally, of course, the phenomenon of the disproportion between the extent of the swing in the popular vote and the actual number of seats won additionally as a consequence of that swing worked to the immense advantage of the Congress (I); capturing a little over than 42.5 per cent of the votes, the party has been able to win 67 per cent of the seats.

There was perhaps an element of wishful thinking in the expectation that no single party would secure a majority in the Lok Sabha polls. Viewed historically, centralisation of authority in the country has generally meant increased repression; and the Congress, more than any other party, has always stood for greater concentration of power at the Centre. Whatever might have been the failings of the Janata and the Lok Dal governments, that brief interregnum did mark a period when state governments, even when they were opposed to the Centre, could function more or less normally; when organised movements of the oppressed sections could proceed with somewhat diminished danger of either being taken over by the political bosses of the Congress or, in cases when such absorption was not possible, crushed. That brief respite is now over.

Whether the return of Indira Gandhi to power has been the result of a positive vote in her favour or a negative vote against her opponents, the fact is that the party bearing her name has been returned to power. The very first remarks she made after it was clear that she was on her way back was that the vote was a vote for 'stability', for restoration of 'law and order' and for 'discipline' — unexceptionable sentiments, except that in the contemporary Indian context, these have a notably different connotation than what is commonly understood by them. For, in the conditions prevailing in India, with the general social and economic crisis worsening, and with the *ad hoc* solutions that have been continuously tried turning out to be workable over progressively briefer and briefer periods, there cannot be anything like stability — a stability that is sought by and for industrialists and businessmen, the civil and military bureaucracies and sections of the middle classes. For the rest of the toiling people, there is no path but that of continuous struggles.

Actually, Indira Gandhi's assurance of working for the restoration of 'stability' is rather suspect, for her very perceptions of what constitute stability or instability have always been subjective and flexible. For instance, there is the instability generated as a consequence of the working people engaging in struggles to secure for themselves a somewhat less unfair return for their labour. But there are other forms of struggles and agitations too, some of them having the appearance of popular sanction as well since they reflect, howsoever distortedly, some popular grievances, whose real aims are to divide and sow confusions among the working people, and which too generate instability. There are the sectarian and divisive agitations going on in some areas of the northeast, and a potentially dividing agitation over the renaming of the Marathwada University that is threatening to be revived. In all such agitations, present as well as impending, what is likely is that the ruling party at the Centre will be quite selective on where and when stability should be enforced, and where and when existing stability should be disturbed and instability created — even while declaring that the priority of the government is to restore stability and law and order. After all, the

Congress has a rich tradition and experience of authoritarian practice which at various times — long before Emergency was imposed — has been used to create instability or enforce stability according to the felt needs of the party.

Elections

Fallout in States

THE victory of the Congress (I) in the Lok Sabha polls has already had its impact in one of the states; the Chief Minister of Karnataka has resigned and a struggle is on in the state unit of the Congress (I) on whether the party should form the government — naturally with the assistance of the large number of MLAs belonging to the Congress (U) as well as to the Janata who are willing and eager to cross over — or force fresh elections to the state assembly. Such dissensions in the Congress (I) which have appeared even before the party has formally occupied office at the Centre can only be a pointer of the shape of things to come. The resignation of Devaraj Urs anticipated and forced these dissensions to come to the open.

With the Centre being secured, the task of securing control over the states has to be one of the main items on the agenda of the Congress (I). This will be particularly so in respect of those states where the ruling parties did poorly, or even disastrously. After all, following the victory of the Janata party in 1977, the state governments in the northern states — all on 'extension', courtesy Emergency — were dismissed on the very correct ground that the Congress had virtually drawn a blank in these states; and the results of the elections to the state assemblies that followed fully justified the action of the then home minister.

Even so, it appears unlikely that the state governments in Punjab, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar and Tamil Nadu will be soon dismissed. This is not because the Congress (I) has been suddenly overtaken by democratic scruples; the fact is, the problems for the Congress (I) itself, following the removal of the present non-Congress (I) governments, would be more acute than the one of merely keeping loyal aspirants to office in these states at bay. For, the existing legislators in these states have all a vested interest in the continuation of the state assemblies; in most cases, the anxiety to continue as MLA has a very sensible and material basis in that if the MLAs were to complete a term, they would be eligible for a pension. Further, even though these legislators may for the most part be ready to cross over to the Congress (I), the fact that there would be equally powerful pressures from those loyalists outside the legislatures to resist such 'defectors' — for only thus can those outside may hope to enter the legislatures — makes the conflict between existing loyalists and potential loyalists almost inevitable. This more than anything else makes it likely that Indira Gandhi will not proceed immediately to replace the state governments currently being run by non-Congress (I) parties. She needs some time.

Foreign Policy

New Tilt

WITH the electoral victory of the Congress (I), it is to be expected that there will be a change in the global perceptions of the External Affairs Ministry. How this will materialise concretely and specifically, it is too soon to speculate upon. But certain indications are already available and past experience is there to form a tentative opinion.

The Congress (I) election manifesto, quite tellingly, stated that the Janata party government's foreign policy had alienated the "sympathy and support of friends who have stood by us in need". It lambasted the former government for "inept performance" as a consequence of which "India's role in the international affairs became ineffective". By implication, the former government was accused of alienating the Soviet Union and its allies; of ineptitude in dealing with the issue of Kampuchea at Havana; of failing to assert India's superior position in South Asia. This becomes clear from the Congress (I)'s criticism of the "neutralist" position on the question of seating of the government of Democratic Kampuchea at Havana and at the UN. Indira Gandhi bemoaned the fact that Bhutan had supported the resolution condemning Vietnamese invasion of Kampuchea and stated that "even small countries like Bhutan are today threatening India because the country was weak". In short, the Congress (I) manifesto charged the former government's foreign policy with having drawn the country "closer to the forces of neo-colonialism and economic imperialism".

The manifesto, therefore, declared that Congress (I) "would adhere firmly to the policy of peaceful co-existence and the concept of non-alignment as defined by Jawaharlal Nehru". That in practice this would imply a "tilt" towards the Soviet Union was evident from the allusion in the manifesto to "friends who stood by us in need", an euphemism for the Soviet Union and its allies. After 1975, when the Indo-Soviet treaty was signed, and especially during the Emergency, the Soviet Union was the most important external supporter of Indira Gandhi. (Interestingly, in 1978, even when she was out of power, Indira Gandhi was received at Moscow airport by a high Soviet official, perhaps Kosygin, who conferred with her for three hours.) This intention is more concretely established by the specific assertion that the Congress (I), if it was voted to power, would "recognise the new revolutionary government of Kampuchea". This was a thorny issue between Kosygin and Morarji Desai in March 1979. That the Congress (I) manifesto saw fit to mention specifically this issue is revealing of the party's anxiety to placate the Soviet Union which had been "alienated" by the Janata government.

All these add up to a different global perception — of the contention between the super powers as expressed through covert and overt intervention in different part of the Third World, of the situation in areas of tension like West Asia and South-East Asia and of India's position *vis-a-vis* these issues as well as India's role in the South Asian region. Significantly, Indira Gandhi has already stated that her government would come out strongly against "repressive regimes" in the region.

CPI

Chairman Marches On

UNDETERRED by the bitter criticisms of his colleagues, the CPI chairman has sent yet another of his letters, this time to Indira Gandhi congratulating her on her and her party's "massive victory" in the Lok Sabha polls; for good measure, he has also complimented the people of India for choosing "well and wisely". Clearly, the Chair-

man was daring his colleagues in the party to take action against him; and the central secretariat of the CPI has responded to this open defiance by its chairman of the "accepted programme and policy" of the party by deciding to recommend to the central executive committee and the national council of the party that Dange's letter of resignation from the chairmanship of the party and from the membership of the CEC and the central secretariat, till now kept pending, be accepted. These bodies are to meet soon after the Kerala assembly elections, and short of the majority of the present CPI leadership reversing their position, Dange's departure from the top leadership of the CPI should now be only a matter of days.

But since Dange has never been known to be a quitter, it is entirely possible that other developments between now and the scheduled meeting of the CEC and the national council might yet frustrate the attempt of the CPI to get rid of its embarrassing chairman. After all, Dange has not been merely personally perverse in advocating his line of alliance with the "representative of the patriotic national bourgeoisie"; this understanding has a long historical background, it was accepted as part of the party's tactical line for years on end, and it was used as a weagon to settle political scores against dissidents in the party. Moreover, it had the sanction of what is still considered by the CPI as the centre of the world communist movement.

Just before the Lok Sabha polls, there were indications that the last named factor had to some extent changed. An article in *Pravda* marking the 54th anniversary of the birth of the CPI pointedly noted that the CPI was fighting the elections on the slogan of "unity, that is, the alliance of all left and democratic forces in the struggle against right wing reaction, for democratic rights and interests of the working people". The article noted that the CPI had decided to strengthen its "independent political role and mass base"; it noted with approval that the CPI at Bhatinda had come to the conclusion that "without independent political influence and without mass base, the CPI cannot obtain decisive changes in the balance of class forces".

It is true that this assessment had been made before the Lok Sabha election results were out, and the victory of the Congress (I), specifically the personal truimph of Indira Gandhi, might yet induce second thoughts. But such second thoughts are unlikely in the CPI itself, for the party seems to have been forced to wake up to Indian reality and, moreover, the political gains it has made as a consequence of its alliance with the CPI (M)-led left front are not inconsiderable, particularly in the face of the disruptive activities of its Chairman.

A more immediate consequence of Chairman Dange's message of congratulations to Indira Gandhi is that it will further strengthen the Congress (I) in the coming Kerala assembly elections. The CPI which is an important component of the left-democratic front, opposing the Congress (I)-led front has openly said that Dange's message to Indira Gandhi is intended to damage the party's electoral prospects in Kerala.

West Bengal

Sharp Polarisation

Ajit Roy writes :

BY winning 37 out of the 41 constituencies that went to the polls, the Left alliance in West Bengal has surpassed the performance of the Congress (I) at the national level. By annexing 27 seats out of the 30 contested by it, the leading constituent of the Left alliance, the CPI(M), bettered its own record of the 1971 Lok Sabha elections when it had stemmed the countrywide Indira wave and bagged 20 out of the then total of 40 seats in this state.

With the election in one constituency (Serampore) countermanded by the Election Commission on account of the murder of one of the candidates, polls were held for the remaining 41 constituencies in the state. The three major parties of the state's ruling Left Front, CPI(M), RSP and Forward Bloc formed an alliance with CPI to contest all the seats. There was no alliance among the opposition parties, except for the fact that they had all decided to back the Janata party candidate, P C Sen, against his CPI(M) rival. The Left alliance polled an aggregate of 1,07,87,665 votes or 53.83 per cent of the total valid votes as against a total of 92,52,706 votes polled by all other parties and independent candidates.

The most significant feature of the recent polls is a sharp polarisation between the Congress (I) and the Left alliance in general and the CPI (M) in particular. Not only did all the other opposition parties draw blanks in terms of seats, all except a few had their deposits forfeited, including former Union Ministers and sitting MPs. The average votes per contesting candidate polled by the Janata Party, Lok Dal and the Congress (U) were 26,090, 13,489 and 5,911 respectively, as against 2.63 lakh of the CPI(M) (the average is about the same for the Left alliance as a whole) and 1.83 lakh of the Congress (I).

Indeed, in West Bengal, not only is there a growing polarisation, but also polarisation on a widening mass base. In 1977, 60 per cent of the electorate had cast their votes; the proportion this time was 70 per cent.

What is perhaps still more significant, and contrary to the apparent picture and popular belief, is the fact between 1977 and 1980, the mass base of the Congress (I) has registered a faster rate of growth than that of the CPI(M). The relative shares of the CPI(M) and the Congress (I) in the total valid votes polled in 1971, 1977 and 1980 are as follows:

	1971	1977	1980
CPI (M)	34.30	26.15	39.43
Congress (I)	28.23	30.69	36.47

In 1971, the CPI (M), fighting all alone, had got 34.30 per cent of the total votes polled; in the recent round, the party increased its share by slightly over five percentage points, with the support of a broad Left alliance which even included the CPI. The Congress (I), on the other hand, fighting all alone, increased its share by more than eight percentage points. The average votes polled by the Congress (I) increased from 1.26 lakhs in 1977 to 1.83 lakhs or by about 45 per cent, compared with the 37 per cent increase in the CPI (M) votes from 1.92 lakhs to 2.64 lakhs.

The victory of the CPI(M) candidate over P C Sen with a margin of over 42,000 votes is particularly significant. Sen, a former chief minister of the state and a sitting Janata party MP, is, so to say, a symbol of anti-communism in this state. The Congress (I) had withdrawn its candidate in his favour and all opposition forces had backed him. In one of the three constituencies that the CPI (M) lost to the Congress (I), the margin was a nominal one of 1,300 votes only. The only significant, and quite unexpected, reverse suffered by the CPI(M) was the defeat of its sitting MP in the predominantly working class constituency of Asansol.

The results show that on the whole the working class and the rural poor voted the CPI (M) and the Left alliance on a massive scale. There was a sharper polarisation among the urban petty bourgeoisie, with an increased mobilisation by the Congress (I). The rural rich almost solidly voted the Congress (I), cutting across party loyalties.

Contrary to the loud campaign launched by the Congress (I) in the wake of the party's accession to power at the Centre that there had been rigging and irregularities in the polls — the sharper rise in the share of Congress(I) votes itself belies the allegation — the elections this time were held in a rather tension-free atmosphere. On the polling day, not only were there very few clashes in the state, but also positively friendly relations among the supporters of the rival camps were witnessed in most areas. Soon after the first election results indicated the return of Indira Gandhi to power, certain sections of the Congress (I) launched a campaign about the so-called rigging and otherwise have been trying to build up tension for destabilising the Left Front government. They are reported to lobbying New Delhi for a go-ahead signal for a full-scale offensive.

One significant by-product of the recent elections is the return of the CPI to the Left fold. The relations between this party and the constituents of the Left Front, and the CPI (M) in particular, were marked with cordiality during the whole election campaign. Hopefully, this camaraderie will continue after the elections. A section of the CPI, belonging to the Dange trend, however, is extremely unhappy about all this. It is reported that these elements had not put in their best for their own party candidates, let alone of the other parties of the Left alliance. The Dange-followers have good influence in the Calcutta district organisation of the CPI and in some of its trade union bases.

West Bengal is entering a period of stress and strain. It will need the widest possible alliance of the Left and democratic forces, and support and solidarity from similar forces in other parts of the country.

Industry

High Expectations

IT was to be expected that spokesmen of private industry and trade would applaud Indira Gandhi's victory in the Lok Sabha elections, especially as the victory has been of such overwhelming proportions. But there is definitely more to their public reactions to the election results than a formal welcoming of a new government about to take office. There is a ring of genuine expectation that the new dispensation will be beneficial to them in specific respects. Private industry's expectations of the new government have been summed up in a speech by the president of the Federation of Indian Chambers of Commerce and Industry (FICCI) at a meeting organised by the Gujarat Chamber of Commerce and Industry on Thursday.

Some of the demands listed by the FICCI president are of a type that industry and trade may be expected to voice at all times. To this category, for instance, belongs the demand for minimising controls and regulations and liberalising industrial licensing policies. Over the years, the bureaucracy's desire for power and authority, rather than any larger social purposes, has become the main *raison d'etre* of most administrative controls and regulations. Controls have also been exploited by individual business houses and companies, the large and well-established ones generally, to secure and strengthen monoplistic and oligopolistic positions. The demand for relaxation of economic controls is, therefore, not as simple or strainghtforward as industry would have it believed.

Another demand of the FICCI president which is of a more or less formal variety apparently is that for tax concessions. The government's financial position is not such as to encourage hopes of across-the-board tax cuts, especially in view of pressures to contain the budgetary deficit. Of course, there will be demands for specific, and highly lucrative, changes in taxes, especially excise duties, but the case for these would be pressed in the coming weeks with less public approaches to the right political and bureaucratic quarters.

There are, however, other areas in which private sector industry and business evidently have high expectations of the new government. In his speech, the FICCI president called for recorientation of the Sixth Plan and the sectoral outlays proposed in it. Behind this general demand is presumably the specific suggestion for a dilution of the accent on expanding employment and, towards that end, encouraging small scale and labour-intensive industries and technologies, which used to be a constant refrain of the Janata and Lok Dal governments' industrial policy pronouncements. According to the FICCI president, for expanding employment the strategy should be to increase labour absorption in agriculture and allied fields. In other words, industry should be absolved of responsibility for employment generation. Accordingly, the government's policies to encourage the small-scale and labour-intensive sectors must strictly conform to "cost-benefit" criteria.

Even this aspect, however, is apparently not uppermost in the industrialists' minds. What is, is Indira Gandhi's repeated statements that her government would concentrate above all on restoring discipline and law and order. Industrialists no doubt assume that it will be the working class and trade unions which will be at the receiving end of the new government's efforts to improve discipline and establish order. In his speech, the FICCI president has called upon the new government to evolve a labour policy which would penalise indiscipline and link wages to productivity. Industrialists never made a secret of the fact that for them the most upsetting aspect of the Janata party's rule, and of the restoration of civil rights and liberties after the Emergency, was the upsurge of working class militancy which so rudely disturbed the 'industrial peace' imposed on workers and trade unions during the Emergency through the arrest and detention of trade union activists and prohibition of all manner of labour agitations. The Janata government had even failed to push through its Industrial Relations Bill. Clearly, industrialists will judge the new government above all by its ability to muzzle the working class. Indira Gandhi and her party are aware of this fact. The awareness was clearly reflected in their slogans of 'stability' and 'law and order'. On the score of containing labour agitations, the new ruling party has in effect made a commitment to industry and business. It would be interesting to see through what specific measures it now proceeds to honour this commitment.

Social Science Research and Public Policy

I WELCOME corrections and additions to my article, "Social Science Research and Public Policy in India" (September 15 and 22, 1979). I visited a large number of research institutions and interviewed numerous social scientists and government officials in a dozen cities and I would not be surprised if errors appeared in my article. In any event the primary purpose of my article was not to report in detail the history, funding and research activities of India's many social science research centres, but to consider what kind of policy-oriented social science research is conducted, how it is disseminated, and how it is used by those who make and implement public policy.

My very brief comments on the Centre for Development Studies in Trivandrum were intended to indicate the contribution which that institution has made in Kerala. P G K Panikar, I S Gulati, K N Raj and A Vaidyanathan (December 15, 1979) appear to believe that I have not done justice to the Centre and if I have made any errors I am pleased to have them corrected.

However, the writers appear to have misunderstood my comment that "as one high official in Trivandrum noted the Centre for Development Studies brought in many times more funds from the World Bank, the United Nations, the Planning Commission and other agencies through the reports and proposals of its five distinguished economists than what has been provided by the state government to support the Centre". I should have thought that my previous sentence which reads, "Moreover, some state officials recognised that a regional research centre with internationally known economists could itself attract financial resources *to the state*" should have made clear to the reader that the high official in Trivandrum that I was quoting was explaining why the state government believed that from a financial point of view (among others which I discuss) expenditures on an autonomous research institution were justified. I trust it was clear to readers therefore that World Bank, United Nations and Planning Commission funding that I referred to was not to the Centre for Development Studies but to the state government.

The authors are quite right in saying that the Centre for Development Studies should not have been included in my list of institutions that emerged out of the initiative of the ICSSR, though, as they agree, the ICSSR subsequently joined with the state government in financing the expansion of the Centre.

In my all-too-lengthy list of policy-oriented research projects, some of which had an effect on policy makers and administrators, I referred to the Committee on Commodity Taxation, chaired by I S Gulati, as an example of the way in which studies conducted by a research centre were utilised by a government commission and subsequently by the state government. Gulati cited this to me as an example of one way in which the Centre had contributed to policy-making; a senior official of the Kerala government similarly cited Gulati's contribution and that of the Centre. Apparently, according to the authors, the research was actually conducted for Gulati by the staff of the Committee, not by the Centre itself and that credit should therefore be given entirely to the Committee and its secretariat. I accept the correction. The main point, however, is that in a number of states, government officials have been able to make use of social scientists in the regional research centres. Whether they appoint the researchers to head or do work for commissions, or directly contract research studies, is less important to them than that the outside scholarly talent be available.

The authors' statement that I did not meet any Fellow of the Centre is mistaken. I met I S Gulati at the Centre on June 29, 1978. I also met T N Krishnan who was kind enough to bring me on a tour of the Centre's facilities.

I do not understand the meaning of the authors' last sentence that "some of the biases underlying this exercise are of course too obvious to need any comment". They are not obvious to me. If the authors take issue with my conclusions let them tell us what they are.

MYRON WEINER
Department of Political Science,
Massachusetts Institute of Technology,
Cambridge, Mass, USA.

January 9.

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A. SUBRAMANIAN
SECRETARY

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (22.12.79)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-76
All Commodities	1000	224 5	1.7	20.9	17.8	−0.1	5.1	2.1	−1.1
Primary Articles	417	210.7	1.8	17.6	16 5	−1.4	9.7	0.8	−6.6
Food Articles	298	191.8	1.9	13.6	13.1	−0.7	11.7	−5.1	−4.9
Non-Food Articles	106	200.2	—	16.2	15.1	−4.6	6.1	19.7	−14.6
Fuel, Power, Light and Lubricants	85	295 2	—	20 0	14.2	4.4	1.4	5.3	10.5
Manufactured Products	499	224.0	1.9	23 8	19.7	0.1	2.2	2.3	1.4

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-76
For Industrial Workers	1960=100	363[9]	0 8	8.0	9 3	2.2	7.6	−3.8	−1.3
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6 8	3.4	7.0	—	2.6
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10 8	16 1	−1.9	6.9	−4.7	−13.9

Money and Banking	Unit	Latest Week (14.12.79)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	23,651	214 (0.9)	3,610 (18.0)	1,793 (8.2)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,237 (10.4)
Net Bank Credit to Government	Rs crores	17,585	—336	3,176	2,193	1,921	2,449	910	579
Bank Credit to Commercial Sector	Rs crores	28,409	201	4,563	3,076	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,697	—39	563	241	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 21.12.79)	Rs crores	30,417	383 (1.3)	4,917 (19.3)	3,542 (13 2)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	147.5[8]	151.1	147.0	2.8	6.8	5.3	9.8	4.7
Basic Industries **	32.28	165.4[5]	171.5	161.5	6.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	145 8[5]	166.6	157.7	5.6	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	141 7[5]	140.1	131 9	6.2	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	132.0[5]	142 1	142.8	−0.5	10.0	6 8	10.2	−2.1
Durable Goods**	3.41	169.8[5]	159.0	142.5	11.6	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	127.4[5]	140.1	142.9	−2.0	10.4	6.1	9 8	−0.2

Foreign Trade	Unit	Latest Month (Oct 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	399	3,372 (13 5)	2,971	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	583	4,396 (21 7)	3,612	6,764 (12.3)	6,025 (18.7)	5,074 (−3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−184	−1,025	−641	−1,072	+621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,951 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,833 (2.6)
Number of registrations	Thousands	602	3,536 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,172 (−15.8)
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	192 (20.6)	408 (3.0)	396 (−23.3)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period

Woes of Shipping

Hansavivek

INDIA STEAMSHIP has turned out disappointing working results for the year ended March 1979, with a net loss of Rs 3.49 crores as against a net profit of Rs 52 lakhs in the previous year following decline in freight earnings from Rs 36.94 crores to Rs 34.93 crores. The loss has been erased by taking into account the surplus of Rs 39 lakhs brought forward from the previous year and transferring back Rs 3.09 crores from general reserve.

The directors state that although there was some improvement in the freight market, further rise in costs and infrastructural constraints like port delays, labour unrest and low productivity posed a problem in arresting losing trends in operations. According to their estimate, direct financial loss on account of delays at ports was Rs 5 crores for the year. The company added one ship of 20,000 ton deadweight to its fleet in June 1978. It also took delivery in October 1978 of another ship built by Hindustan Shipyard. The company sold four ships at good prices for scrapping and is taking steps to scrap other three ships. Also, another vessel was sold at a favourable price for trading purposes. Total number of ships in the fleet in operation was therefore fewer than in the previous year.

The company obtained two years' moratorium on repayment of foreign exchange loans raised from abroad for acquisition of vessels. SDFC has sanctioned to the company a SAFAUNS loan in respect of one ship. The tariff in respect of Indo-Soviet trade has bean revised upwards by 20 per cent from beginning of 1979 and west bound cargo rates in the UK/Continental trade by 12.5 per cent from December 1978, the impact of which will be reflected in the current year's working results. In recent months, freight market has shown indications of hardening and becoming firm, but the directors observe that unless there is substantial improvement in the infrastructure, reduction in port delays and congestion at ports, they cannot but take a somewhat gloomy picture of the current year. The company's representation for the acquisition of 10 lakh equity shares of Mackinnon Mackenzie and Company belonging to British India Steam Navigation Company has not been acceded to by the Government of India.

GOLD MOHUR MILLS has turned the corner, with a gross profit of Rs 27 lakhs for the year ended June 1979 as against a loss of Rs 127 lakhs in the preceding 18 months. After providing for depreciation, net surplus of Rs 11 lakhs has been utilised to reduce the accumulated deficit to Rs one crore. Although net sales were only slightly better compared to the proportionate figure of the previous year, margins looked up in spite of inadequate working capital, escalation in

The Week's Companies (Rs Lakhs)

	India Steamship		Gold Mohur		Carborundum Universal		Devidayal Electronics	
	Latest Year 31-3-79	Last Year 31-3-78	Latest Year 30-6-79	Last Year 30-6-78	Latest Year 31-8-79	Last Year 31-8-78	Latest Year 30-6-79	Last Year 30-1-78*
Paid-up Capital	520	520	120	120	302	302	62	64
Reserves	1427	1776	25	25	512	449	121	87
Borrowings	8124	7499	555	447	193	283	268	295
of which Term borrowings	7925	6969	22	39	43	73	—	3
Gross fixed assets	13079	12991	448	434	1085	1015	246	257
Net fixed assets	9816	9603	128	131	529	535	119	125
Investments	35	76	15	15	33	16	2	2
Current liabilities	901	1162	311	412	407	317	73	73
Current assets	1010	1019	767	747	852	800	403	393
Stocks	13	13	418	470	434	411	266	199
Book debts	514	552	347	271	362	341	125	181
Net sales	3493	3694	1277	1800	1690	1480	1000	1168
Other income	372	50	38	50	37	29	24	38
New material costs	1752	1684	439	771	564	501	707	783
Wages	620	541	298	409	270	268	79	102
Interest	566	323	84	107	48	56	39	60
Gross profit(+)/loss(—)	287	550	27	—127	315	269	59	41
Depreciation provision	636	498	16	24	69	69	14	21
Tax provision	—	—	—	—	132	100	4	—
Net profit(+)/loss(—)	—349	52	11	—151	114	93	41	20
Development rebate provision	—	10	—	—	7	3	1	—
Transfer to reserves	—	—	—	—	86	45	32	12
Dividend								
Amount	P —	2	P —	—	P —	—	P 1	2
	E —	—	E —	—	E 51	45	E 7	6
Rate (per cent)	P —	5	P —	—	P —	—	P 11	11
	E —	—	E —	—	E 17	15	E 12	10
Cover (times)	—	—	—	—	2.70	2.00	5.57	3.00
Ratios (per cent)								
Gross profit/sales	8.21	14.88	2.11	—	18.64	17.70	5.90	3.51
Net profit/capital employed	—	2.26	0.76	—	14.00	12.38	22.40	13.30
Inventories/sales	—	—	32.73	26.11	25.68	27.77	26.60	17.04
Wages/sales	17.75	14.64	23.33	22.61	15.97	18.18	7.90	8.73

* 18 months.

costs of dyes and chemicals, stores, power and fuel, and higher wage bill and erratic power supply. What helped the company in the face of these constraints, however, was the comfortable supply position and reasonable prices of cotton, although superior varieties of cotton which the company has been consuming continued to be in short supply. A small beginning in exports was made in March/April last, with export sales of 3 to 4 per cent of total production which increased steadily and now more than half of the production is being exported. The company has to avail of the loan of Rs 88 lakhs which financial institutions have agreed to grant to it under the soft loan scheme out of total requirement of Rs 110 lakhs for modernisation and renovation of mill machinery.

CARBORUNDUM UNIVERSAL has shown improved results for 1978-79 although production at its Tirvottiyur plant was disrupted for several months due to unsettled labour conditions and it had to contend with shortage of power, delays in transportation and escalating costs of essential raw materials. Turnover rose from Rs 14.80 crores to Rs 16.90 crores and yielded a higher gross profit of Rs 3.15 crores against Rs 2.62 crores previously, reflecting increase in margins. Net profit was Rs 114 lakhs (Rs 93 lakhs). Dividend raised to 17 per cent, including 2 per cent by way of special distribution to commemorate silver jubilee, found a bigger cover of 2.70 times against two times. The management has decided to shift a part of the manufacturing capacity of bonded abrasives to Hosur in Dharmapuri district of Tamil Nadu. Certain additional testing equipments have been installed in the refractories section and it is expected that the glass industry will buy its requirements for new furnaces and replacements from the company which would enable a better utilisation of installed capacity. With a higher production of white aluminium oxide, the company operated this plant at a slightly better than breakeven level. It can expect to wipe out accumulated losses of this operation with a substantial increase in capacity utilisation.

DEVIDAYAL ELECTRONICS AND WIRES has fared better during the year ended June 1979 than in the preceding 18 months, with gross profit almost 50 per cent higher despite lower sales. Net profit has doubled and dividend raised by two points to 12 per cent is covered 5.57 times as against 3 times previously. This performance looks all the more pleasing when viewed against the background of acute shortage of copper during the first quarter and substantial hike in its price later in the year coupled with shortage of power which forced closure of factory for 9 days in June last. During the first quarter of the current year, the comapny achieved a turnover of Rs 3.22 crores against Rs 2.44 crores during the corresponding period of last year. With demand for the company's products growing at a satisfactory pace, the management expects to achieve a turnover of Rs 12 crores this year. Profitability is also likely to be enhanced, although constraints of power and raw material and credit squeeze are the restraining factors. The company has planned a phased programme for replacement of some of the old machines, which will be implemented according to the availability of long term loans from the financial institutions. The company has already closed its cable department and sold some of its machinery.



Into 1980

Romesh Thapar

IF nothing else was needed to complicate and confuse our harassed lives, that strange non-person, the Election Commissioner, who delayed our mid-term poll for three months on the plea that the Electoral Lists had to be updated, managed to establish our total inefficiency or perversity by producing lists in the Capital and elsewhere which did not have the names of thousands who had voted in 1977. And those who were on the lists were four years younger! I think we should sack the incompetent and get ourselves a reorganised Election Commission capable of dealing with snap challenges. What's more, there are too many question-marks over Shakhder's 'impartialities'.

Of course, with this kind of tension in the Capital, and the 'leadership' busy in scattered constituencies, we begin to wonder whether our fears about poll clashes, booth captures and mass impersonation through the terrorisation of Harijans and others has been replaced by a sophisticated tampering of the Electoral Lists in selected constituencies. If these fears are substantiated to any extent, immediate steps need to be taken to order re-polls. Faith in the election procedure and the secret vote cannot be destroyed by the bunch of politicians we have given ourselves.

Afghan Developments

The physical occupation of Afghanistan by the Soviet armed forces has blasted our easy and comfortable notions. A traditional ally, bound by a treaty of friendship, has violated one of the basic postulates of what we consider to be healthy international relationships. The occupation of Afghanistan, very much a part of India's sphere of friendship and concern, is intolerable and puts into jeopardy a vast array of defences and economic arrangements concluded over the last thirty years. The political reaction is a true reflection of Indian feelings, although Indira Gandhi's prevarication is typical of her hunt for possible support from communist sources in the tangled post-election period. The reactions of the communist factions again make them suspect — unless, of course, clearer positions are taken as the dust of this long and tedious election settles.

The moronic reaction of the US to the events in Afghanistan, particularly in relation to the renewed arming of Pakistan, was to be expected. But it would be naive to imagine that India will sit back to watch a scenario unfold over which Washington has no control. Those advisers of President Carter should really be sent back to teaching their incomprehensible theories! Real politics is made of sterner stuff.

With Iran in a state of Islamic bliss, and Pakistan playing with the Islamic bomb in embryo, and Gaddaffi's Libya acting as a bridge to many illegalities in the supply and manufacture of nuclear war toys, I think it should be a safe bet to assume that the academics who adorn the US State Department, and their cronies in the US Pentagon, should be able to work out an exciting and optimistic plan of action against the damnable Russians from a subservient base in Pakistan. At this rate, with oil at the centre of the gamble for dominating influence in West Asia, we may soon be back to the cold war. Is our Foreign Office, with its petty intrigues about promotions and harassments of leading officials, really in fit condition to cope with the challenge that is developing? Or do we need to get working on a National Security Council embracing our best professionals and thinkers on foreign policy and defence?

Let's stop imagining that this leader or that is going to provide the muscle. In the complexity of the global situation — and India's 'confrontations' with Pakistan (plains), China (mountains) and Bangladesh (waterways) — the answers are not as simple as they seem. And, frankly, with the kind of horrendous mess that the Soviet Union has presided over in Kabul, there's little chance of the Red Army pulling out in any near future. Indeed, if the ageing Brezhnev decides to give up his rather tenuous existence, I hate to think of what might be served up by his successors in the Kremlin — impatient, rigid men without any glimmer of new sensitivities from what one can gather from those in touch with this handful of secretive policy-makers of the communist world.

Uncertainties to Continue

It's all very worrying because we are almost convinced that the Centre of Indian power will remain disturbed and uncertain for some time. A lot has been made of non-performance by the Janata party in the campaigning of the Congress(I), but what of the period between 1972-75-77 when our authoritarians did little else except ban this or ban that. As for coping with law and order, that is going to be quite a job because the underworld of India now has a party — the Congress (I). Then, there is the Judiciary. The less said the better. Even the Supreme Court looks as if besieged and lacks the courage to lock up the men who reduce it to this state of trembling. Anti-Nehruism is assailed. Few remember that it was his daughter and grandson who proposed the dismantling of the memorial at Teen Murti House when it was thought necessary to return it to the Prime Minister as a residence.

The truth of the matter is that even as we vote we have no issues to put our teeth into except the future well-being of a bunch of sullied 'leaders'. We need constitutional changes to prevent a repetition of this farce. We need to reorganise our political system without any elaborate democratic circus, as is so often the case. We need to excite our productive skills and capacities in office and factory, for then only can we move forward to new levels of growth and self-reliance. Who will do all this? The instrument may be the politician, but we have to get used to the idea of organising ourselves for action as never before and at every level of professionalism. For too long we have imagined that these are concerns for the politician only. This is pure nonsense.

In 1980, the initiatives will have to come from independent groups of thinking, active people. Yes, it is the old business of taking well thought out steps to implement what we are always chattering about. Otherwise, this gang of self-opinionated politicians which we have created will keep us titillated with the excitements that black money can buy in terms of posters, processions, meetings and demonstrations. The just concluded election was such an exhibition of waste.

January 5.

NEW DELHI

Towards More Centralisation

B M

THE administrative hierarchy in New Delhi expected Indira Gandhi to stage a comeback and was ready and willing to take the event in its stride. But the scale and sweep of her electoral victory has surprised the bureaucracy entrenched in the sprawling secretariat and it seems to be somewhat unnerved by it. Indira Gandhi invested by the people with overwhelming political authority indeed presents ominous uncertainties. These have only been emphasised by some of her statements such as the one she made to a foreign radio network that she would be "changing everything" in economic, social and foreign policies.

The trouble is that what exactly are the changes in view is not clear and has not been spelt out either now or during the election campaign. A judgment on Indira Gandhi's intentions is also difficult to hazard because the electoral swing in her favour would appear to be a total rejection of the Janata conglomerate's short spell in government, which may now well be treated as merely an interlude without impairing the continuity of Indira Gandhi's rule. The source of nervousness here is that, Emergency or no Emergency in the formal sense, Indira Gandhi may well go back in her style and conduct of the government to the point where she briefly had to step aside.

She may also be tempted, it is suggested in this context, to wipe out any trace of the Janata party's rule and whatever was done under its tenure. This may well have direct implications for the bureaucracy and may result in wholesale changes not only in a variety political appointments but also in the deployment of the permanent administrative personnel at the higher levels. The reorganisation and reconstitution of the Planning Commission, reassembling of the Prime Minister's Secretariat as the principal instrument of control and co-ordination of the administration and revival of a high-powered foreign policy planning and co-ordination board are, therefore, very much on the cards.

All these administrative instruments, working under the Prime Minister's direct supervision, will mean a gradual build up of a highly centralised system which will be wholly in tune with Indira Gandhi's previous style of leadership and will have their own implications for the future. If to this is added renewed and active intervention of extra-constitutional authority in the affairs of the government and administration, of which there are already quite a few indications, the future would appear to be most ominous. There will be major implications for Centre-state relations and whatever limited autonomy the states can claim and have been striving for, especially after the Emergency, may be impaired.

With restoration of law and order and controlling of prices having been proclaimed as the first priorities of Indira Gandhi's government, certain other indications in regard to its economic policy stance are available. One is tempted to recall, in this context, the inflationary spiral in 1974 which too had been precipitated by drought. It was much before the Emergency that Indira Gandhi had been persuaded to take some very harsh measures to control inflation. The anti-inflationary package of September 1974 had been composed principally of measures to impound wages, DA and bonus for workers. There was also a brief experiment with curbs on dividend distribution but these curbs were withdrawn during the Emergency. These measures were combined with stringent regulation of bank credit and hold up of new investment in the private as well as public sector.

There is a widespread belief in many quarters that measures along these lines may again be taken in the name of price stability. But what happens then to all the promises which have been made in the election manifesto and which have apparently given rich electoral dividends to Congress (I). Take, for instance, the explicit promise in the manifesto to abolish the sales tax, give tax reliefs to the middle classes, ensure higher prices for the marketable surpluses of large farmers and improve the "investment climate", which is a familiar euphemism for wide-ranging concessions to business interests. The question is whether Indira Gandhi's government will be in a position to honour any of these promises. If it tries to do so, Indira Gandhi will face serious difficulties right from the start. The budget for 1980-81 is due to be presented on the last day of next month. It will be tempting to load it with a series of fiscal and financial concessions in order to consolidate the populist base of the government. But this is bound to erode available resources for next year's Plan.

As matters stand, the assumption made at the discussions at the officials' level on next year's Plan is that resources are not in sight for any step-up in Plan outlay. For Indira Gandhi's government to accept this view will be politically unpalatable after having aroused high expectations of a grand march to economic and social progress under its rule. Equally, if not more, risky will be recourse to an additional resource raising effort to meet Plan and non-Plan commitments. Indira Gandhi may well side-step this problem by simply throwing the draft Sixth Plan drawn up under the Janata party regime into the waste-paper basket and calling for a new Plan to be made by a set of new planners whom she will choose. She has resorted to this course once earlier. But a repeat performance will be the beginning of another Plan holiday which is bound to be as disastrous in the long-run for socio-economic progress as the three-year Plan holiday of the sixties turned out to be.

The immediate flash-points in this context will be the claim of railwaymen for bonus which the caretaker government was pressurised into conceding, and the similar demands of Defence Production and P and T employees. Wage claims of organised sections of workers are also pending. In the case of surplus farmers, a decision on procurement prices for the coming rabi crops is pending as the caretaker government had been sharply divided on whether to give prices higher than those recommended by the Agricultural Price Commission.

Whatever decisions are taken on these issues will indicate the general line of policy or changes in policy.

Undone by His Own Creation

Lalitha Nataraj

THE election results in Karnataka have confounded everybody. Not even the worst enemies of Devaraj Urs expected his party to receive the drubbing it has at the polls. Urs who believed himself to be invincible has been humiliated because in several constituencies rank outsiders have soundly beaten the Congress candidates. In many of them, Urs's candidates have come a poor third. Janata has also failed but has at least the consolation of winning the Bangalore city seat and of forcing the Congress into the third place.

In retrospect the verdict of the electorate appears rather harsh but several factors have contributed to it. Indira Gandhi's hold on the state even in 1977 when the rest of the country swept her out of power was largely due to the fact that Emergency had been lightly felt in the state. True, there were the tragic cases of Lawrence Fernandes and Snehalata Reddy but the rural electorate had been spared the horrors of sterilisation. To a large extent Devaraj Urs had held himself in check during 1975-77. This is why the Janata in 1977 and in the Assembly poll in 1978 had little appeal for the people of the state.

Devaraj Urs, who had kept Indira Gandhi's image unsullied, was suddenly faced with the problem of reducing her to ordinary proportions before the very people whom he had asked to venerate her. For one thing time was not on his side. The collapse of Morarji's Janata government made matters worse for him. Further, when he parted company from Indira Gandhi he lost much of the party cadre at the grass-root level. In particular one suspects he lost the younger cadre (many of the erstwhile Indira brigade) who are so adept at mobilising the electorate. It is also widely believed that Congress-I poured money into the campaign, but one suspects that Urs was not badly off either. Money alone does not explain the Congress (I) success story.

Apart from Urs's inability to make the Indira image look a little less godly than he had made it appear, he faced other handicaps. Many of the rural voters simply could not comprehend that by voting Congress (I) they were voting against Urs. It would have required much more time to educate them on the intricacies of bourgeois intra-party warfare. Quite a few probably felt that they had voted for Urs's party because until a few months ago they were so used to seeing Urs and Indira Gandhi billed together in posters everywhere. Urs tribulations were aggravated by the symbol.

On the top of it all is the phenomenon of the poor and the backward castes regarding Indira Gandhi as their champion. Urs was not able to erase this image in spite of his best efforts. It was no good suddenly confronting them with the obvious fact that during her regime not all Congress (I) states did what Karnataka did by way of populist reforms. Urs had given Indira Gandhi the credit for his reforms, had told the people that she stood for downtrodden and they now believed him — to his cost. In some constituencies he was perhaps forced to field men who were long ago discredited in the public eye. The Sanjay Gandhi bogey could not be played up because in Bangalore south Devaraj Urs's son-in-law was the Congress candidate.

The Congress banked on the votes of the backward classes but the men who first deserted Urs for Indira Gandhi generally came from the minority communities. The Harijans stood almost fully behind Congress-I. In some constituencies Congress (U) was unable to make any inroad into the Harijan vote. Even the Janata made little impression upon them in spite of Jagjivan Ram. The Muslims who have been included among the backward classes for purposes of reservation also did not back Urs fully. It is also probable that some of Urs's partymen did not work for the party candidates whole-heartedly. There is reason to believe that some of Urs's colleagues saw in the poll an opportunity to undermine his position without actually appearing to do so.

By resigning Urs has not only behaved with dignity but has demonstrated once again his astuteness. He managed to put the Congress (I) in a quandary. The moment Urs resigned Congress (I) was divided in its views. Some felt that the party should accept the Governor's call and form a government. Others felt that such a government would be heavily dependent upon defectors and hence inclined to instability. But it seems as though the attraction of office has proved too much and the Congress(I) leader in the assembly has agreed to form a government. He is going to face severe problems. To begin with there are differences between him and the PCC chief Bangarappa. As Bangarappa is becoming a minister the party will have to find a new president — an office of great importance with Assembly elections an ever present possibility. Then the Congress (I) government will be supported by 50 or 60 new 'entrants' defecting from the Congress. There will be the usual clamour for ministerial positions. All these are factors which will make for built-in instability and this is what Urs hopes to capitalise upon.

Caste has always played an important role in the state's political scenario. When Veerendra Patil, following the dictates of his post-Chickmagalur conscience, joined Congress(I) there was talk of the party getting dominated by the Lingayats. That domination has not taken place yet and the party was quite careful in choosing candidates for the Lok Sabha poll. But Urs has been pillonied because of his firm support for reservation and is resented by the major communities. Now that he is — even if temporarily — out of the picture the Lingayats and Vokkaligas are bound to make an attempt to get back into the driving seat. If both of them pursue their goal as seems only likely then the contradictions between them will begin to surface.

Gundu Rao's government, when formed, might be stable for sometime but that stability itself may prove a thorn in his flesh. It is unlikely in any event that his government will run through to 1982 or 1983. The longer the elections to the Assembly are postponed the more time Urs has for consolidation. Of course Congress(I) also will get time to strengthen its position, but given the current economic crisis it is highly debatable whether this new state government can coast for long on the wave which has put it in power. There are also all the other complications to contend with. Urs and his opponents are going to have their work cut out. In the midst of all this the Janata is in a turmoil too. The political situation in Karnataka will continue to be interesting in the coming months.

SILVER

How High the Sky and Why?

Angus Hone

THE post-Afghanistan surge which drove silver to an unprecedented high of 1900-2000 pence per oz in London and $ 43-46 per oz in New York and on Comex in Chicago is now over. Those who sold silver short at the $ 18-20 level have retired to lick their wounds and replenish their shattered bank balances, but the link with gold is now totally broken (people continued to look in vain for gold/oil ratios), but there is no theory which can satisfactorily explain the silver price explosion from $ 6-7 per oz in November/December 1978 to $ 42 per oz in January 1980.

It is *not* due to a weak dollar. The DM/$ rate has moved down from DM 1.80-1.85/$ to only DM 1.70/$ over the last 18 months.

It is *not* due to a burst of industrial demand. 1979 was not an excellent year for colour and x-ray film producers led by Eastman Kodak and their earnings will collapse in 1980 if the $ 30 per oz price remains. Annual production at 300-350 million oz is clearly lagging behind offtake at 430 million ounces.

It is *not* due to the imminence of the Moscow Olympics in 1980 and demand for commemorative coins, medals, etc. Silver is only second ... and even in the Merchant of Venice the choice of a silver casket certainly doesn't win the lady's hand and presents considerable embarrassment to the suitor.

It is *not* due to an amazing Erdmann plot — though his superlative market analysis of the silver squeeze in "The Silver Bears" (now available in paperback) is worth reading.

The silver market is being affected by two major groups of "silver bulls" and the supply/demand imbalance, exacerbated by India's March 1977 ban on legal exports.

First the Bunker Hunt consortium is operating through their commodity house Bache in which they recently bought a ½ per cent stake. Their technique is a version of the old deadly game used for years in the Bombay cotton market — "the bear squeeze". The Hunts and their associates begin buying a position, recently November/December and probably now February, March and April. Their activity leads to a price increase in the last week of December from $ 20-22 per oz to $ 27-28 per oz. Brokers' circulars are issued advising stupid but greedy speculators that "there are good opportunities for shooting February/March 1980 or 3 months silver on the LME", but these silver bulls do not operate normally. Once they hold contracts for 50-60 million ounces they demand delivery (impossible as warehouse stocks in London and New York are well below the number of "open interest" positions). "The bear-trap" is now ready to snap tight and the news of Soviet intervention in Afghanistan with its immediate stimulus to real physical hoarding demand is simply a massive bonus and prices surge from $ 28 or £ 12 per oz to $ 45 and £ 19-20 per oz. The poor short selling speculators are forced to put up massive margin calls to cover or are declared bankrupt and the Hunts retire with another modest $ 300-600 million profit. (The story that best exemplifies their attitude is told of Charles James Fox, that notorious lover of the French revolution, French wine and French women. Fox a fanatical gambler at "farc", the late 18th century version of "strip pocker", began to play and lost over £ 90,000 — over £ 2 million in 1980 sterling — but at 3 o'clock his luck turned and by dawn he returned to Belgrava £ 10,000 richer. A close friend remarked on the relief he must feel, but Charles James gave the immortal gamblers reply: "Oh no! But how would it have been if I had been playing deep"! The Hunts do play "deep" (for larger stakes) and their opponents' pockets are soon terminated. "Never sell short against a long pocket."

The second twist to the silver trap is provided by a group of West German, Swiss and Arab interests, trading and organised through the $ 10 billion multinational trading house, Phillip Brothers (a subsidiary of Engelhard Metals). PHIBROS are a ruthless bunch of brilliant metal traders — but doctors, lawyers and commodity traders must be selected for competence and not caste, creed, racial origin or cousin-brotherhood! Phillip Bros' clients follow the Hunts in demanding physical delivery of coins or ingots, but many are more interested in using silver as a dollar lever with more potential for profit appreciation than gold. After all, the US Treasury and the Fed could order the sale of $ 10 billion of gold at the next Treasury auction and that alone has accounted for the retreat of gold from $ 630 per oz level. The US Treasury and other Central banks do not hold silver hoards and cannot influence the price. There are two stockpiles in the United States, which could theoretically depress prices if they were released together. First, the US Treasury holds 180 million oz in pre-1965 pure silver coins which have not been melted. Second, there is the US General Service Administration's strategic stockpile, which could make a release if the appropriate Senate Committee were to give approval. However, the present market and events in Afghanistan suggest that neither the US Treasury or the GSA will "sell the market" over the next six to twelve months. (An excellent summary of the Hunt bear trap operation can be found in "High Stakes in the Silver Game" by A F Ehrbar in *Fortune*, December 17, 1979, pp, 57-59.)

There are two problems from all this for Indian speculators, whether private or governmental. (The State Trading Corporation, the export monopolist is as frustrated as the private trade with the March 1977 ban on silver export.) What should any trading position be in the falling market following Indira and Sanjay Gandhi's smashing electoral victory. Silver prices have fallen back from Rs 5,200 per kg to Rs 3,800 per kg and will probably be at Rs 3,800-4,200 per kg when this article is published, but below that there is a floor at Rs 3,300-3,500 per kg and silver can be confidently bought, held and accumulated at the Rs 3,500-4,000 level against the day when India's escalating balance of trade deficit (forecast: 1979-80 Rs 1,800-2,200 crores; 1980-81 Rs 2,500-3,000 crores) forces North Block and the Reserve Bank to reluctantly order the State Trading Corporation's excellently managed silver sales department back into operation by July-October 1980. On that day the differential between the Indian market price of $ 12-15 per oz and the London, New York or Chicago price at $ 20-30 and will begin to be rapidly eroded — partly as a consequence of India beginning to sell 300-600 tons (15-25 million oz) annually, which

would allow a better physical balance in industrial demand and supply in 1980 and 1981, and partly as the Indian physical and speculative demand for protection against domestic inflation expands in 1980 and 1981 (some of the fall has been caused by poor mansoon distress selling in 1979). A realistic long-term silver price, i e, for 1980-1985 is likely to be established between $ 20-30 per oz giving immense scope for any holdings accumulated at the Rs 3,600 per kg ($12-15/oz).

The removal of the export ban can satisfy the most ardent free market economists ("water doesn't run uphill" and "you can't stop smuggling with this price differential") and the most doctrinaire Leninists (anarchists cannot be accommodated since they believe money value will wither). How can this be so? The Government of India when it imposed the ban nearly twentyfour months ago felt that it was bad economics to export a non-renewable/non-local resource, in the sense that India does not mine silver but sells from accumulated hoards built from the textile dyestuffs and opium exports from the 16th-19th century sold to Europe and China by the Dutch and the British East India Companies. However, a massive differential (not envisaged at the $ 6-7 per oz or Rs 1,800-2,000 per kg level) has developed and the Reserve Bank of India, not smugglers, should be in the business of accumulating future reserves of foreign exchange. The market's response on January 7, rising from Rs 3,700-3,800 per kg to Rs 4,300 at close of trading, clearly indicates that the silver traders knew that Indira Gandhi is good for you and even the selling off to Rs 3,800 is likely to be brief. We shall see.

[This article was written as a result of discussions with Charles Meynell and Kamlesh Tanna from January 7 to 9 as silver prices fluctuated wildly, even falling to Rs 3,200 per kg on January 9 morning. I have been helped in India by Ramesh and Suresh Vakil, D K Goyal and F A Mehta and internationally by Paul Fine and Gael Lambert of Shearson Loeb Rhodes, New York, Brad Georges, Marc Rivilland and Dick Grace of Conticommodities and London, H Stenacker, Pieter de Kooning and Terry Wallbank of Billiton Elzet, Den Haag, who provided excellent on-the-job training. I am also indebted to Veikko Kuusakoski of O Y Kuusakoski, Kauklahti, Finland, whose silver positions in 1970-1980 have kept this writer on his toes and to Olavi Salminen at Ontokumpu's Pori Smelter.]

LABOUR

Docked Basin Workers

Timir Basu

BETWEEN November 1978 and October 1979, as a result of workmen's stir 155 days were lost at Calcutta Port. This was not because of any uniform industrial action; if one section of workers resumed work, another section resorted to strike or some from of agitation affecting normal movement of ships while still others served notice of industrial action. This state of affairs has continued for years. The recent work-to-rule by the staff of Dock Basin Machinery, which ended on December 24 following an agreement, is a case in point.

Much has been said about the agitation by the Dock Basin workers but very little is known about why they have been agitating for the last one year. For quite some time now, the staff of Dock Basin Machinery at Kidderpore Dock (KPD) had been demanding among other things the same status as their counterparts working at Netaji Subash Dock (NSD); filling up of vacant posts — their number has come down from 180 to 161 — payment of overtime allowance to employees who are relieved late, recess facilities as per Factories Act and abolition of stand-by nature of service, in other words, adequate provision for reserve work-force.

Discrepancy in service conditions has always been a source of discontent among the employees at KPD ever since the NSD came into existence. For example, capstan khalasis at KPD belong to Class IV category while capstan operators at NSD, doing the same job as the khalasis, belong to Class III category. The same is the case with the riggers. This policy of the Port Trust, apart from sowing divisions among the workers, has also meant workers at KPD losing between Rs 250 and Rs 300 per month because of such categorisation.

How the workers suffer during "Take Over" and "Make Over" deserves serious attention. It takes anything between 20 and 60 minutes for a worker to reach the work site from the reporting station. So the emloyees are invariably relieved late but without and compensation. When the lock-gates remain open, the changeover may cause a delay of two hours or more.

The overtime problem in Dock Basin Machinery (DBM) is now so serious that no union can secure support of the workers without fighting it. No, the workers do not demand continuation of overtime, but its abolition. The categories involved in shift duty are known as 'operational group' while general duty (from 7 a m to 4 p m) constitutes 'maintenance group'. The majority of workmen belong to the operational wing where shift duty is a must; but these, irrespective of their age and physical capability, are sometimes asked to continue four shifts at a stretch. This only shows the terrible understaffing that the port authorities maintain in a vital area that actually needs reserve forces to meet an emergency, even if normal volume of work be ignored.

Workmen are covered by the Factories Act but they are denied even the normal recess after five hours of duty. Workers can earn over Rs 800 by way of overtime in addition to their normal wages of Rs 400 p m but health hazards and disruption in family life have made them so panicky that they are determined to defy continuous booking. There has been no new recruitment in DBM for the last 12 years while complications in its operation have been piling up due to deterioration in navigational channel. A further reduction in workforce is feared when some workers would retire by the end of 1980. It is against the backdrop of such a precarious situation that the workmen started industrial action which, of course, went unnoticed till October.

The union that shot to limelight after the DBM staff deserted from their original organisation — the Port Shramik Union (PSU), an HMS affiliate — was a splinter group of National Union of Waterfront Workers (NUWW). Though both the wings of NUWW owe their allegience to INTUC, for all practical purposes the two wings have been functioning as separate TU bodies since 1977. The PSU, the oldest Union among port and dock workers of Calcutta, has been losing its credibility among dif-

ferent categories of port workmen for quite sometime. First, it was the shore workers, and then it was the turn of DBM staff who severed all relations with it in May last consequent upon a tripartite agreement which in effect went against the interests of DBM staff.

The May settlement was arrived at in accordance with a formula suggested by the state labour minister who, in a bid to restore normalcy at port, introduced a scheme called 'Short Hand Money' (SHM) system. The SHM scheme as practised on board vessels entirely on a temporary basis neither guaranteed reduction of overtime nor could it be regarded as something lucrative. What actually made the workers reject SHM formula was the covert design to bypass the real issues — continuous booking and parity in wage structure for similar jobs. Even then the workers agreed to the request of Regional Labour Commissioner that the scheme should be run on an experimental basis at least for three months. The scheme, however, did not work because the port authority merely tried to pacify the workmen without conceding any of their reasonable demands. The DBM staff again became restive and the crisis was allowed to drift towards chaos as the management preferred to do nothing even after the trial period was over.

During the second half of August, the workers continued their stir in the form of mass representation, signature campaign, deputation etc — all under the banner of the splinter group of the NUWW. Work-to-procedure began on September 1, and continued till December 24.

The authority, as always, tried to fish in troubled waters. An advisory committee headed by the Chairman of the Calcutta Port Trust (CPT) was formed in the first week of November to expedite the proceedings relating to labour. The committee in its first meeting on November 19, reportedly advised the port management to open talks with the appropriate union so that the DBM staff could call off agitation. Thereafter, a series of discussions took place between management and union and at one stage some form of a production linked weightage was agreed upon. Commenting on the trouble in DBM, the CPT Chairman said in his letter (November 24) to the General Secretary of NUWW: "This matter has been discussed with you and others three times and we have come to some sort of an agreement on how an Incentive Scheme can be worked out to enthuse the workers including the maintenance people. An Incentive Scheme will be prepared on the Dock Basin Machinery Section. A suitable weightage will be given for each operation above a particular norm or datum calculated on the basis of average operations per day from 1st January 1978 to 31st October 1978. I feel that this will be satisfactory to all the workmen and they will now agree to call off the agitation by the DBM and restart their work with renewed vigour. If you agree to start discussion of the details on the above framework, you should persuade the workmen to call off the agitation and normalise work by night shift of 24-11-79. Then and only then I shall meet you at 12 noon on Monday the 26th and discuss details."

Taking these assurances in good faith, the union asked the workmen to resume overtime and bring normalcy with immediate effect. Had the spirit of these discussions been honoured, a settlement by November 30 would not have been unlikely. But all on a sudden and most inexplicably, the persons in authority backed out. Even then the workmen did not lose their patience till December 6; but forced into a hopeless situation, they again resorted to work-to-rule and boycotted overtime. On December 19, a second round of talks was held leading to a tentative settlement with differential weightage pattern for which eight operations were fixed as norm and a subsequent slab at the rate of 65 to 80 paise per operation, clubbing two operations as a group. While the principle was decided at noon, on the evening of the same day the authority again declined to implement its earlier commitments. Finally a settlement was reached in accordance with the weightage pattern as agreed on November 19 but the said agreement has not resolved all the outstanding issues for which the workmen have been agitating for so long. Perhaps other unions may now step in the dock basin as this is the most strategic area in the port.

FRANCE

Communists: Walking on a Tightrope

Ramnath Narayanswamy

NOT very long ago, the French Communist Party (PCF) was faced with a serious dissension among its ranks. The members leading the revolt were reacting against a 'return to Stalinism' by the leadership of the Party. The event occurred when the first secretary along with eight members of the Paris branch were forced to resign over differences with the Politburo. The spark that ignited the anger of the opposition was caused by the refusal of the Politburo to publish the letter of resignation of Henri Fizbin, a central committee member and first secretary of the Paris branch, after he had been allegedly forced to resign from the branch committee. His crime continues to remain undefined in official circles but it appeared to have been 'opportunism' which from past precedent can mean two things: either more co-operation than necessary with the Socialists or lacking in firmness in implementing the party line.

The incident had sparked off a controversy which brought into its fold people like Jean Elleinstein, the historian and Yvonne Quiles, former editor of a leading Marxist paper. Elleinstein, who for some inexplicable reason, chooses to oppose or defend the Party in periodic succession, was one of those who welcomed the decisions arrived at by the 22nd congress of the PCF which inaugurated the Eurocommunist line with its supposed accent on freedom, open discussion and alliance with the Socialists. Elleinstein had then declared himself "on the whole satisfied" and had abandoned his opposition. Since the expulsion, however, both in radio interviews and in a long interview in *Le Matin* a paper with socialist leanings he has again assumed the role of the opposition by accusing the Party of "failing to apply the decisions of the 22nd Congress". In fact he has gone further and said that the dismissal of the first secretary of the Paris branch was just like the dismissal of Dubcek of Czechoslovakia. Since then he has increased his complaints. He has attacked the Party's reaction or rather inaction to current French political scandals (the latest one involving the President, who has been accused of receiving an expensive gift of diamonds

from the overthrown Emperor' Bokassa) by insisting that the Party make efforts to elicit answers from the politicians involved instead of being content to lay the blame on the "irresponsibility" of the press, the Party's hasty and indiscriminate endorsement of the Vietnames invasion of Kampuchea, its inability to condemn the outright violations of international law in Iran and the undue "exaltation' of the Soviet Union by Georges Marchais, the present leader of the French Communist Party.

While Elleinstein broadcasted his complaints about the PCF's inability to come to terms with the times, Yvonne Quiles, expressing the general feeling of the opposition in *Le Monde* (which is usually used by those dissidents who are unable to have their views published in *L' Humanite*, the official paper of the Party) said that they were tired of the "out-of-date methods employed by the Party leadership". She further held that the leadership did not possess the liberty to withhold facts from its members and felt that the Party had openly violated the principles of the 23rd congress, an allegation that seemed to posses some basis in the light of the unceremonious removal of Laurent Leroy, another hardliner from the Politburo.

Just as these differences were dying down — or were being forgotten — the Party is being threatened with another major split, this time caused by the Soviet invasion of Afghanistan. For almost a whole week, the Party refrained from any comment amidst increasing reports of heavy fighting between Soviet troops and the insurgents and Soviet claims that the military intervention in Afghanistan was carried out in the interests of "defending socialism in Afghanistan" and to "protect Islam from the US allies". The silence was apparently due to differences in the leadership over the Afghanistan issue alongwith other internal matters of policy and organisation. The latter has been a live issue ever since the elections last year. The long silence was to be finally broken by an incredible commentary, which warned that the events in Afghanistan "must not be the pretext for a return to the cold war" and that if any deterioration occurred in Franco-Soviet relations, it would "only favour American hopes for world hegemony without furthering the interest of France, or of peace". The comment, which appeared in *L' Humanite*, further affirmed that the French government's failure to dissociate itself from American threats to reconsider relations with the Soviet Union was to "engage our country on a road chosen by Washington" and could tarnish the "prestige earned for France by the initiatives of General de Gaulle".

Elsewhere in Western Europe, the Italian and Spanish parties came out with editorials strongly criticising the Soviet action. An article in *L' Unita*, the official paper of the Italian Communist Party, said that the Soviet intervention in Afghanistan "violates some of the fundamental principles which must regulate international cohabitation which are part of the best tradition of the workers movement" and that the invasion "brings new elements of tension and alarm into a world situation which is already explosive enough". In an editorial in the *Mundo Obrero*, the Spanish Communist Party strongly opposed the Soviet intervention and said that the "liberation of any people suffering under imperialism must be the work of the people themselves, or else it serves as a pretext for a conflict between the superpowers". The Portugese Communist Party however endorsed the intervention and said that military aid from the Soviet Union was necessary "to defend the revolutionary state against an enemy succoured and armed outside the country". The statement which was published in *Avante*, the official organ of the Party, made no attempt to pinpoint the 'enemy' which the Soviet Union was fighting against and which made Soviet military presence necessary in Afghanistan.

East European Countries have naturally said nothing about the Soviet invasion of Afghanistan for they do not consider it in their best interests to offer a provocation to the Soviet Union at a point when relations between the two superpowers has sharply deteriorated. This, apart, it is equally probable that during the recent conference of the Warsaw Pact countries in East Berlin, the Soviet Union must have initiated sterner measures to impose a tougher discipline within the Eastern bloc. Else, it is difficult to explain the almost complete silence in Romania and Yugoslavia. Apart from registering "deep concern about the serious developments which could result" from the intervention, Yugoslavia had little to say in either condemning or defending the Soviet role in Afghanistan. The same is true of Poland and Hungary who have been content to reproduce Soviet dispatches without offering any independent judgment on the intervention.

In France, the Socialist Party (PS), while taking pains to publicly dissociate itself from the statements issued by the PCF, has had nothing substantial to say on the Soviet intervention, except to insist that France will have to herself decide on what her future relations with the Soviet Union will be — something that the PCF has also been insisting all along. Both Marchais, the leader of the PCF and Mitterand, the leader of the PS, are due to leave for the Soviet Union shortly and both insist that their visit to the Soviet Union has no relation to present developments in Afghanistan.

Finally, it may well turn out that the biggest gainer from the Soviet intervention in Afghanistan will be the *Mouvement des radicaux de gauche* (MRG) which denounced the invasion as it deserved to be denounced without falling into the pitfalls of the theory which saw the Soviet invasion propelling Afghanistan towards some socialist utopia. In a statement published in *Le Monde*, the Party said that the intervention under the pretext of defending socialism in Afghanistan, was actually meant to defend Soviet imperialist interests and deprive the Afghan people the right to choose their own government.

The present predicament of the PCF is by no means an isolated instance of folly in the world of Eurocommunist politics, but is rather symptomatic of the crisis that today stalks over the European communist movement. This is not tantamount to giving a clean bill of health to the role of the PCF in the French communist movement, prior to its adoption of Eurocommunism at its 22nd congress in 1976. The crisis existed then just as surely as it exists now and the adoption of Eurocommunist policies has only contributed to the worsening of an already deteriorating situation. Its adoption had not led the PCF, as most believe, to effect a radical break from its past by means of a critical assessment of its own past. It has on the contrary only helped to swing the PCF more openly to the Right with a new ideological mould (an indefinable and questionable set of propositions lumped together under the head: Eurocommunism) while retaining an essentially Stalinist organisational structure.

The response of the PCF to the Soviet intervention in Afghanistan reveals its chronic inability to either openly condemn or openly support Soviet policy. It is virtually incapable of doing the former while it is obliged to do the latter — but only to the extent that it does not appear openly apologetic, for fear of prejudicing both its followers and to whom it addresses itself at large.

Rural Credit from Too Far Above

J Ph Platteau

Rural Money Markets in India by Subrata Ghatak; Macmillan Company of India, New Delhi; pp 230, Rs 58.

ON page 81 of his book, Ghatak gives the formula which establishes the way the interest rate (r) varies according to fluctuations in the opportunity cost of money (α) and in the risk premium as determined by the probability of the loan recovery (p). The administrative costs and the monopoly profit are supposed to be null so that:

$$(1)\ r = \frac{1+\alpha}{p} - 1 = \frac{q+\alpha}{1-q}$$

Where $q = 1-p$

Ghatak gives a numerical illustration but does not say anything about the nature of the curve thus obtained and the implications of the particular shape it takes on. True, he gives us the first and second derivatives but the reader is left to himself for drawing the necessary conclusions. One would have liked the author specify the break-even point beyond which the interests rate begins to rise at a quicker pace than the probability of not recovering the loan and depicting how this point is influenced by the opportunity cost of money. When Ghatak comes to introduce the inflation factor in order to assess its influence on the rural interest rate, he simply adds the risk of price rise to the risk of default in repaying loans ignoring that the two effects operate in interaction, thereby necessitating a multiplicative procedure.

The basic defect in Ghatak's approach comes out when he propounds "a simple model for determining interest rates in the Indian rural economy". Our basic contention is that the model is clumsily specified to say the least. For instance, when we come to the third equation, we look in vain for an explanation: all that we are told is that "the interest rate is shown as a negative function of output for obvious reasons" (p 94). Furthermore, the author assures us (without actually proving it) that the model is conducive to a (stable ?) equilibrium: an equilibrium level of income exists so that it will determine a repayment (and, hence, credit-worthiness) position which, in turn, will entail an interest charge which will perpetuate the same level of income. Thus the model is one more (abstract) illustration of the "low-level equilibrium trap" phenomenon. Even though we assume that the relationships postulated by Ghatak are relevant and meaningful (a heroic assumption, indeed), a fundamental defect affects his model because the time dimension has altogether been erased. While the first equation states that the repayment capacity of a cultivator is a function of his income, the fourth equation states that the level of the interest rate charged is fixed according to repayment capacity. Yet, as no lagged variable has been introduced into those equations (and the same holds true for the other two equations), the model assumes a timeless or simultaneous adjustment or reaction process. Therefore, it is incapable of depicting the time sequence through which the various variables are generated and the crucial issue of the stability or instability conditions of the system is completely blurred from the very start. Mathematically, the solution of a time-specified model should be given by an n-order differential equation. It would then be perhaps possible to show that, starting from a given low-level income, a person who is compelled to borrow money will trigger off a process of cumulative impoverishment.

There are also important logical defects in the interpretation of the various results obtained by Ghatak in his quantitative exercises. Let us illustrate our point with reference to the result which is supposed to "refute the widely believed hypothesis that family expenditure is the most significant variable that affects borrowing" (page 46) or that "cultivators borrow and remain indebted mainly for incurring large family expenditure" (page 49). According to Ghatak, "one of the important conclusions" of the analysis is "that it is capital rather than family expenditure which is the more significant explanatory variable affecting the demand side in most periods of our study".

However, Ghatak's econometric exercise is based on district-wise data which can only serve to identify the most significant variable explaining *the variations from district to district* in the amounts of debts incurred by the households. These data cannot provide the least evidence that capital expenditures play the most important role in affecting household borrowing. Moreover, it can be seen from his Table A 3.2 (pp 39-41) that the family expenditures are usually markedly higher than the capital expenditures (leaving aside the "current expeditures on farm") as a component of the loans taken during the period under review (1951-52), therefore bearing out a "widely believed hypothesis".

Even the inference of capital expenditures being the main agent behind the district-to-district variations in the average amount borrowed per family is not strongly supported by data on which Ghatak based his calculations (by fitting an OLS multiple regression equation). Here, one would have liked him to give us the partial correlation co-efficient between the average amount borrowed per family and the loans incurred for consumption purposes (as he did for the loans incurred for meeting capital expenditures). However, we have tried to test the validity of Ghatak's result in a rough and ready manner. The accompanying frequency table is constructed by assigning a negative sign to each district whose value of the variable of concern (which is read in the corresponding column) is inferior to the arithmetic mean computed over all the districts. A positive

TABLE

Average Amount Borrowed Per Family (B) More (+) or less (−) than the Country Average	Loans Taken for Meeting Family (F) or Capital Expenditure (C) More (+) or less (−) than the Country Average	Number of Districts Wherein this Particular Combination of Signs Holds True in Regard to	
		B and F	B and C
+	+	20	18
−	−	27	27
+	−	3	5
−	+	5	5

gn is assigned to district whenever its wn value exceeds the average value. ence, it is seen that, for 47 districts ut of a total of 55 (85.5 per cent), here is a direct correlation between B nd F whereas, for 45 districts (81.8 er cent of their total number), there a direct correlation between B and . Therefore, on the basis of our ough procedure at least, there is no round for inferring any significant ifference among F and C in explain- g the district-to-district variations B. Furthermore, if we calculate he frequencies on the basis of the ariables together, we find that in 38 ut of 55 districts (69.1 per cent), here is a direct correlation between , F and C so that, in a district where is higher (or lower) than the aver- ge, we also find values which are perior (or inferior) to the average or both family (F) and capital (C) xpenditures. It can also incidentally e noticed that, out of 16 districts aving a B exceeding Rs 300 in 1951- 2, 9 were taking a larger amount of oans for family than for capital ex- enditures whereas only 6 were in- urring more debts for capital purposes han for consumption purposes (the mounts were identical in the case of he remainder district).

Another major finding of the study s that the outstanding factor which ccounts for the relatively high level f rural interest rates in India is the isk and uncertainty involved in lend- ng to agriculture. But the main rgument put forth by Ghatak in sup- ort of this thesis is purely mathema- ical. From formula (1) mentioned bove, it is very easy to show that igh interest rates may be reached if he probability of non-recovery of the oan exceeds, say, 20-25 per cent. However, this is no more than an ab- tract argument. Before anyone can ccept it as a valid explanation, the ole of the risk factor will have to be emonstrated empirically. Moreover, ven in theory, several other factors an be responsible for the high level f interest rates prevailing in the un- rganised money market. Even as- uming that the risk premium is an mportant component of the rural in- erest rate, it is not proved that the nder will assess the risk in the way ggested by Ghatak. The risk fac- r can too easily be overemphasised the detriment of other factors, such s the scarcity of loanable funds or he rents the lenders obtain through xploitative credit practices. In fishing illages of Kerala, as it is revealed in a ollaborative study in which the pre- nt reviewer is involved, gold-secured loans are usually granted against interest rates ranging from 18 per cent to 36 per cent: in some areas, these rates can even work up to 60 per cent: this is in spite of the fact that the value of the gold security is usually worth more than twice the loan amount. In the circumstances, it is difficult to maintain that the risk premium plays a determining role.

As a matter of fact, the study by Ghatak fails on two counts. On the one side, irrespective of the direction it has taken, it suffers from several weaknesses and flaws. On the other side, it appears to incline in the wrong direction in so far as the author indulges in an econometric exercise on the basis of very weak data. As a result, it provides few insights or conclusions of relevance to the policy-makers. The analysis is always hovering far above the village reality of India and, due to that very fact, it does not really improve our understanding of the credit-related forces which are at work in the countryside. Starting from macro-surveys data and various official or semi-official reports, the whole book tries to test general hypotheses and to draw broad generalisations. Yet, it is fairly obvious that the RBI data, for example, entail important insufficiencies or deficiencies. A large sample survey, by the very nature of things, cannot but limit itself to a relatively small number of questions which do not always elicit the basic information the analyst requires in order to come to a real understanding of the forces at work in a rural unorganised money market. For instance, no information is provided on certain crucial aspects of the credit system, such as the seasonal pattern of the credit needs, the degree of scarcity in the supply of loanable funds, the costs and formalities related to the granting of funds, the degree of competition between the different credit sources, the practices of concealed interests, the ways in which bondedness of poor people is effected through credit. As a matter of fact, such aspects along with their concomitants in the spheres of production, marketing,

INDIAN COUNCIL OF AGRICULTURAL RESEARCH

RAFI AHMED KIDWAI MEMORIAL PRIZES FOR AGRICULTURAL RESEARCH FOR THE BIENNI UM 1978-79.

Nominations are invited for the Rafi Ahmed Kidwai Memorial Prizes for Agricultural Research for the biennium 1978-79 carrying an amount of Rs. 10,000 (Rupees ten thousand only) in cash or kind or both, a citation and a certificate.

The award is given once in two years to Indian scientists for outstanding research, fundamental or applied, including inventions, discoveries, etc, leading to results of practical value in any field or subject within the purview of research in agriculture, animal husbandry and fisheries, including agricultural economics, agricultural statistics and nutrition. Only results of researches/contributions made during the five years preceding the year of award shall be considered for the award.

Nominations can be made amongst others by Vice-Chancellors of agricultural universities/general universities with faculties of agricultural or biological sciences, Directors of research institutes, including Principals of agricultural and veterinary colleges, Presidents of scientific societies and academies and heads of the principal scientific establishments in the country such as CSIR, BARC etc.

Nominations for the award should be supported by a statement of work, achievement accomplished or performed by the candidate who is being nominated and a reasoned justification for the nomination together without reprints of publications or other supporting data. Applications without four sets of reprints of publications are liable to be rejected at the preliminary scrutiny stage. In all matters, decision of the Council shall be final and no correspondence on this account will be entertained.

The last date for receiving the nominations for the award is 31st March, 1980. Proposals (in quadruplicate) on the prescribed proforma for the award should be sent in a sealed cover marked 'Confidential' to Shri Rup Ram, Additional Secretary(A), Indian Council of Agricultural Research, Krishi Bhawan, New Delhi-110001. The copy of the proforma can be obtained from him by sending a self addressed envelope in the size of 27 cm x 12 cm. Applications/nominations received without four sets of reprints of publications are liable to be rejected at the scrutiny stage.

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socio-cultural values and power structure are bound to vary from one area to another. And there is no gainsaying that most of them can only be highlighted in the course of in-depth studies which go far beyond a large survey analysis. But Ghatak does not seem to comprehend all these implications and it is not his casual references to socio-politico-cultural factors which can alter our fundamental impression. Unlike several much more reasoned econometricians, Ghatak seems to be only interested in quantifying whatever data can be gathered on his table on a particular topic he has selected. No wonder that we also find him constantly complaining about the lack of adequate data. This dearth of data is unmistakeably true. But the real question to ask is whether it is not premature to go ahead with refined analysis when the data base is so very narrow. In the circumstances, should we not consider giving the highest priority to building up the badly needed data bank? Indeed most of the conclusions reached by Ghatak are so vague and qualified with so many reservations (of the kind: "this conclusion should be regarded as tentative and subject to further rigorous tests on the basis of fresh data", p 213) that we can legitimately raise the problem of the relevance of his approach at least in the present state of our knowledge.

Quantitative rigour is desirable whenever possible and, ideally at least, the economic science should aim at the supreme form of rigour which is achieved in mathematical models. But a more fundamental issue at stake is when this quantitative rigour is possible and how far science can be misled by putting the cart before the horse in building up models that cannot be adequately tested or in working out equations on the basis of inadequate or questionable data. The risk is also very high that the kind of exercise carried out by Ghatak will completely disenchant people with econometrics, an outcome which is in nobody's interest.

Trapped in Behaviouralism

S Joseph

Symbols of Power: Studies on the Political Status of Women in India edited by Vina Mazumdar; Allied Publishers, New Delhi, 1979; pp xxiv + 373, Rs. 60.

THIS book is the first of a series on Women in a Changing Society which has been sponsored by the ICSSR. This particular volume has been produced by the Research Unit on Women Studies of the SNDT University and consists of a collection of studies which were produced as 'illustrative material' for the Commitee on the Status of Women.

Not very much has been claimed for these studies, either by the editor or by Iqbal Narain and V M Sirsikar who designed and guided the empirical studies among them, or even by some of the authors. It has been pointed out that they were produced in haste and that they differ in quality, and that at most they can provide the basis for some broad generalisations which could point the way for further studies. In the face of such humility, criticism becomes disarmed.

The main weakness of the book is that it lacks a well formulated theoretical framework which could bind the different contributions together. As a consequence, the material which has been collected and the conclusions which have been drawn have very little value. Vina Mazumdar has provided a thoughtful and useful introduction which traces the history of the women's movement in India and mentions some of the theoretical problems involved in the study of women. However, the introduction is framed at a level of sophistication which contrasts rather sharply with most of the studies. A possible exception is Nirmala Bannerji's study of politicisation of women in West Bengal.

The title of the book reflects this lack of a clear theoretical orientation. 'Symbols of Power' does not refer, as one might expect, to an interpretative study of cultural symbols and their role in the subjugation of women. It has been interpreted by the authors to refer to the fact that the legal rights which women have been given are only of symbolic value since their participation and effectiveness in politics is still very low. The authors have then addressed themselves to the problem of explaining this ineffectiveness.

This rather simplistic formulation o the problem of women's effectiveness in politics obscures some importan questions. For instance, the gap bet ween legal rights and political partici pation and effectiveness affects me as well as women although the ga may be larger in the case of women The attempt to explain this gap coul lead one to ask fundamental question regarding the role of political institu tions in a developing country, bu any attempt to answer such question would require a wide theoretica frame within which the answers coul be understood. The lack of such framework is the basic weakness o the studies in this book.

The book has been divided into three main sections — Women in Na tional Politics, Politicisation of Women in India and Profiles of Women i State Politics. The empirical studies have attempted to analyse the factors which have hindered the politicisation and participation of women in politics as well as to measure the degree o politicisation. To establish the degree of politicisation different tests have been devised in different studies. Some of the tests certainly seem questionable. One study (Upreti and Mathur) administered something like a general knowledge test to the women respon dents to gauge their attitudes and political commitments. One wonders how many men would have answered creditably and how far attitudes can be judged on the basis of such information. Is there a women's point o view about whether "India needs strong government of ideological fixation"? Or whether a 'lady' Prime Minister is to be favoured? And if there is, could it be of any significance? Predictably enough, the conclusions which have been reached in many studies are not rewarding.

It is only in the study of West Bengal women that any deeper level of explanation has been attempted. Women in this study have been considered in relation to the system as a whole and to the possibilities for intervention within the system. As a result, it has been possible to show up the discrepancy between the progressive social attitudes and low degree o politicisation of women and to suggest an explanation in terms of ignorance, family commitments and disillusionment with the system.

The need in the sphere of women's studies is to evolve concepts which can be used to analyse the specific

le which women play in the system d the specific problems which they ce. In the absence of such a theoretil formulation, empirical studies on omen's problems cannot contribute uch. At a time when the social sciences in general are moving away from behavouralism with its reliance on 'objective' data and its segmented view of society, it would be a pity if women's studies got bogged down in the debris of the behavioural revolution.

More Than an 'Interesting' Woman

Vandana Sonalkar

Emma Goldman : Portrait of a Rebel Woman by B N Ganguli; Allied Publishers, New Delhi, 1979; pp vii + 90, Rs 25.

MMA GOLDMAN was born in ussia in 1869 and died in the USA 1941. Thus, during her lifetime, she as a young Jewish girl in Czarist ussia, an immigrant proletarian in merica, and a fighter in the anarchist ovement there in the 1890s. Later, exile in her native Europe, she was critical supporter of the Russian evolution, and she witnessed the rise fascism and the defeat of the panish Republic.

Yet we know little about her today. er name evokes vague associations of ilitancy and redicalism, but we are ot sure if she was a suffragette or a cialist. B N Ganguli has made an nteresting choice and he writes out of personal interest and sympathy. In he preface he recalls his youth in the 920s when he had illegally cherished ropotkin's "Revolutionary Pamphts". Emma's life spanned an era when istory was being made, rapidly and iolently; she was an anarchist in he days when anarchism was a signicant actor on the revolutionary age.

When Emma was girl in Czarist ussia, the rebellion of the people gainst the regime was already fermeng around her. She had worked in clothing factory in St Petersburg, nd as an immigrant had taken up a milar job in America. American apitalism was still relatively young nd vigorous and growing. As worker, especially a female worker, one of the most 'sweated' occupaons, she directly confronted the conadictions of that society. Soon she me into conflict with the capitalist ate as well. In Chicago strikes for eight-hour-day were crushed by the olice. Some anarchists who supported e workers and called for the destruction of the capitalist state, were hangd for a conspiracy in 1887. This indent was decisive in drawing Emma anarchism.

Ganguli is not without a sense of story, and he describes how America in the 1890s was fertile ground for the libertarian ideas that Emma embraced. Although anarchism as an ideology had originated in Europe, many European anarchists had come to America as exiles. Their uncompromising defence of individual liberty drew widespread support. Emma was in and out of jail in the 1890s, but she was a part of America, and her rebellious spirit was in tune with the spirit of that society. She admired Walt Whitman, the great poet of the 'New World'; his sweeping romantic vision inspired her. She was impetuous and wholly dedicated to her ideals. When she took up the cause of women's emancipation, it was not as a suffragette — she had no faith in the power of the vote — but she campaigned for birth control, to free women from the burden of frequent child-bearing. She practised free love; the anarchists regarded the marriage institution as a part of the repressive state.

Ganguli's portrait of Emma does manage to come alive. He gives us brief anecdotes: how, when she was thrown out of her lodgings as a result of her political activities, she would ride a tramcar all night rather than live under an assumed name; or how she threw half a glass of cold water in the face of the policeman who offered to release her if she turned informer. There is a whole chapter on Emma and "Women's liberation", and Ganguli is fairly well-informed about the issues, and sympathetic to Emma's personal struggle as a woman trying to live out her liberation values in an intolerant society. He quotes passages that convey the passion of Emma's language. It is gratifying to see a veteran economist discend to the human level like this, and we can forgive him his occasional sentimentality.

In examining Emma's anarchism, however, Ganguli is not so sharp. Anarchism is a heterogeneous doctrine and it has analysed social forces in a not always consistent manner. But its starting point is always the principle of individual liberty, and its methods are also individual, its categories are absolute. Emma stated that "anarchists welcome death with a smile, because they believe, as truly as Christ did, that their martyrdom will redeem humanity". Anarchists and communists have repeatedly quarrelled over the means, ever since Marx denounced Proundhon's utopianism in "The Poverty of Philosophy". But as long as both were fighting capitalism, there was much common ground between them, they are often comrades in arms. When Emma returned to her native Russia in 1919, Lenin welcomed her and assured her, "anarchists of ideas are not in our prisons". But less than two years later she left, disappointed, unable to tolerate the reality of the 'proletarian dictatorship', the methods used by the young socialist republic defending its existence. For some years she restlessly and unhappily toured Europe. Anarchism was already becoming a lost cause; history was lurching forward unevenly and leaving it behind. Emma's criticism of the Bolsheviks was (Ganguli notes) disproportionate in the years when fascism was gaining power. Spain was the last hope. The anarchists had a mass movement behind them, and made a bid for power. In the countryside anarchist communes tried out the libertarian way of life. When Spain fell to the fascists, Emma was a tired old woman, fighting to the last, but bitter and disillusioned.

At the end of her life, Emma expressed doubts about the justification of violence, and it is on this note that Ganguli chooses to end, saying that she moved to a 'Gandhian' position eventually, Ganguli was a liberal and for him this is the inevitable conclusion: Emma was a brave rebellious spirit, but in the end she understood that the price was too high. Her life is evaluated as a tragedy. The anarchists were defeated as a political force, and so it is easy to dismiss their rebellion as unrealistic. But their movement is a part of our history; they represented perhaps the high point of hope in the bourgeois-democratic age. And although some communists, whose view of history has become somewhat teleological, can dismiss them as easily, both Lenin and Mao had an element of anarchism in their make-up. Ganguli has given us only a portrait of an 'interesting' woman. We can read his book, and take her a little more seriously than that.

Rising Kulaks and Backward Classes in Bihar

Social Change in the Late 1970s

Harry W Blair

The Janata period in Bihar has been plagued with instability and violence in the state's political life, its universities and its bureaucracy. In the minds of many observers, the disruption and its immediate cause, the Karpoori Thakur ministry's reservation policy, are indicative of a sea-change in the structure of Bihar's political economy: the 'Forwards' or 'twice-born' caste groups that had been dominant in Bihar since independence and before are being replaced by the 'Backward' castes as the dominant stratum in the state.

This essay examines the evidence of such a shift in the structure of dominance in Bihar and its implication for the political economy of the state.

THE current scene in Bihar is a depressing one. College students are burning buses, sacking government offices, seizing locomotives and even derailing trains; other groups of students do combat with the disrupters. The bureaucracy is paralysed. Stories of Harijan atrocities get into the press more frequently than usual, and give the impression that many more such outrages are going unreported. Political life is beset with intense byzantine intrigues and manoeuvres to oust (or to save) the Janata ministry, completely distracting the ministry's already severely limited political will for dealing with the problems of a state that is at the bottom of almost every index of social and economic development in India. There have been reports of "more than 2,000 political murders" in recent months.[1]

Defining the Backwards

At the eye of the storm has been the one object that Karpoori Thakur in his chief ministership showed himself determined to pursue — his reservation policy. Thakur's successor as chief minister, Ram Sunder Das, has also promised (if more than somewhat half-heartedly) to implement the policy, so it continues to remain at the centre of the stage in the politics of Bihar.[2] Promised in 1977 and finally promulgated in the autumn of 1978, the reservation policy asserted that in addition to the quotas on government employment already reserved for Harijans and Adivasis (24 per cent if taken together), henceforth 26 per cent of new government positions would be reserved for the 'Backward Classes'. More precisely, those Backwards known as being 'Annexure I' would be allotted 12 per cent of the posts, those known as being 'Annexure II' would be allocated 8 per cent, 3 per cent would go to women of any group, and 3 per cent to those who were 'economically backward'.

The history of the annexures is a tangled one, and the question of how many people they include is even more confusing. The story goes at least as far back as to 1951, when the Bihar government composed two lists of Backward Classes Comprising Hindu and Muslim caste groups that were not Harijans or Adivasis, but were nonetheless determined to be economically and socially backward and in need of special governmental assistance, particularly in the way of educational help. The two lists came to be known as 'Annexure I' and 'Annexure II', which could be thought of as 'more backward' and 'less backward' (but still in need of help) groups. Annexure I (the 'more backward') included some 78 Hindu and Muslim castes, some well-known (e g, Dhanuk, Hajjam, Kahar and Mallah), others considerably less so (e g, Gulguha, Jadupatia). The second ('less backward') Annexure included 30 castes altogether; many of them were communities that in terms of social and economic backwardness were difficult to distinguish from those in Annexure I, such as Barhis, Kandus and Kumhars (as well as some Muslim castes like Momins and Rayeens), but the list consisted primarily of the more advanced communities in the Vaishya and Shudra varnas, that is the Banias, Koiris, Kurmis and Yadavs.[3] These groups, while not as powerful (certainly in 1951, anyway) in social, political or economic matters as the first four 'twice-born' caste groups in the state (the Brahmas, Bhumihars, Rajputs and Kayasthas), were still far ahead of the remaining communities. The Banias, of course, were traditionally traders and small businessmen, while the other three were largely peasant proprietor castes, small-holders in the 5-15 acre range and primarily ryots in the zamindari land tenure system then prevailing in Bihar. Just how many people might be included within these groups was not at all clear, for the Census has not gathered data on caste since 1941 and has not published these data since the 1931 Census.

As with so many things in India, though, there are exceptions. In addition to the data on Scheduled Castes and Tribes that have been gathered in all the recent censuses, the Census of 1951 also took down some information on membership in certain of the backward castes. The Backward Classes Commission (BCC), set up at the Central level and chaired by Kaka Kalelkar, made use of these data in composing its own lists of backward classes for the various states in its report published in 1955. For Bihar some 127 castes (again both Hindu and Muslim) are listed, with a total population of 15.3 million or 38.1 per cent of the state's total population in 1951.[4] The 1955 enumeration was not a complete one, however, for such important castes as Koiri, Mallah and Tatwa were included in the listing as Backward, but had not been counted in the 1951 Census. Overall, figures were available for only 54 of the 127 castes denominated as Backward in the BCC report, and so its 15.3 million total was considerably short of the total number that fell within the Backward category as determined in either the 1951 Government of Bihar list or the 1955 BCC report.

TABLE 1 : MAJOR CASTE AND ETHNIC GROUPS OF BIHAR

Category	Caste/Group		Per Cent of Total Population A*	Per Cent of Total Population B*
Forwards, or 'twice-born'	Brahman		4.7	4.6
	Bhumihar		2.9	2.8
	Rajput		4.2	4.1
	Kayastha		1.2	1.2
	Total Forwards		13.0	12.7
Upper Backwards	Bania		0.6	0.6
	Yadav		11.0	10.7
	Kurmi		3.6	3.5
	Koiri		4.1	4.0
	(Total Upper Backwards)		(19.3)	(18.8)
Lower Backwards	Barhi		1.0	
	Dhanuk		1.8	
	Hajjam		1.4	
	Kahar		1.7	
	Kandu	16.0	1.6	15.6
	Kumhar		1.3	
	Lohar		1.3	
	Mallah		1.5	
	Tatwa		1.6	
	Teli		2.8	
	Other Shudras		16.0	15.6
	(Total Lower Backwards)		(32.0)	(31.2)
	Total Backwards		51.3	50.0
Muslims			12.5	12.2
Bengalis			—	2.4
Scheduled Castes			14.4	13.8
Scheduled Tribes			9.1	8.9
Grand Total			100.0	100.0

* Column A does not include Bengali speakers as a separate group, while column B does include them, with the enlarged total (100.0 per cent of population +2.5 per cent Bengali speakers) revised to 100 per cent.
Source of data: For specific Hindu castes, 1931 Census; for all others, 1961 Census. Earlier data have been revised to reflect boundary changes since 1931.

To compound the confusion, the chairman of the BCC repudiated the whole idea of backward castes,[5] and in any event in 1964 the Patna High Court declared the 1951 list to be unconstitutional, as it was composed on the basis of caste rather than educational and social backwardness.[6]

Eventually, the Government of Bihar responded to this legal rejection by appointing in December 1971 a new commission on the matter, headed by Mungeri Lal. This new body submitted its final report in February 1976, settling on a new list of 128 castes. Essentially the 128 were the same ones as in earlier versions, augmented by some Christian groups.[7] The Mungeri Lal Commission was not empowered to take any census of castes, however, and so the question of how many people are included in the new definition is as elusive as with the old ones.

Perhaps the best way to arrive at a reasonable estimate of the number of Backwards in Bihar is through a process of elimination, as is done in column A of Table 1. Here the figures for Scheduled Castes and Tribes and Muslims are taken from the 1961 Census and for the traditional four Hindu varnas from the 1931 Census. All Hindu castes with one per cent or more of total population are listed, leaving a residual of 16 per cent, who presumably fall into the large number of Shudra castes. If we say that all the Forwards, Harijans and Adivasis are *not* Backwards, we are left with Banias, Shudras and Muslims. A part of the Muslim community has been included in all the listings of backward classes, but we will exclude them here for three reasons. First, the Census, while it does count Muslims, does not distinguish between Muslim castes, so it is impossible to say which Muslims are Backward and which are not. Second, Muslims are generally thought of in Bihar simply as Muslims, rather than as belonging to caste groups within their religion. According to their political persuasion, Biharis tend to think of all Muslims as being "backward" or "not backward". Third, it is relatively easy to keep track of Muslims as a single group in the analysis that follows, but it would be quite difficult to add portions of them to the Forward and Backward groups as the analysis moves along.

Subtracting Muslims, then, we are left with 0.6 per cent Banias and 18.7 per cent 'Upper Shudras' (that is, the three advanced but still officially Backward Shudra communities) or a total of 19.3 per cent that we may call 'Upper Backwards'. Among the remaining Shudra caste groups are the ten that had more than one per cent of total population in 1931, accounting for 16.0 per cent, and a further 16.0 per cent in the smaller Shudra groups, or a total of 32.0 per cent that can be conveniently labelled 'Lower Backwards'. Altogether, there is a total Backward community of 51.3 per cent of the state's population, of which about one-third (19.3 per cent) are Upper Backwards and about two-thirds are Lower Backwards.

This taxonomy does not exactly accord with those of the various commissions mentioned above, in that it excludes a portion of the Muslims and includes a few minor Hindu castes not on any of the lists, but it has two major advantages: it does include the groups that people in Bihar think of as being 'backward', and it is relatively easy to work with in identifying who the Backwards are.

One more modification is necessary before we can proceed. In Bihar about 2.5 per cent of the total population have returned themselves as Bengali speakers in the Census. Some of these are Muslims, some are Hindus of the various north Indian caste groups such as the Brahmans or Kayasthas, while others are Hindus of strictly Bengali castes like the Gandhabaniks, Napits or Sadgops. In other words, many of the Bengali speakers overlap with the categories we already have. But in Bihar they are thought of as Bengalis rather than Bengali Kayasthas, Sadgops or whatever. For instance, a Bengali Brahman MLA is generally thought of as a Bengali MLA, not a Brahman MLA, so it makes good sense to think of the Bengalis here as a separate category. To do so means some redundancy, for the Bengalis have already been counted in other groups, but since they behave and are treated as members of a separate group, we

TABLE 2 : SELECTED CASTES AS PERCENTAGE OF TOTAL POPULATION IN BIHAR, 1901-1971

Caste	1901	1911	1921	1931	1951	1961	1971
Upper Backwards							
Bania	0.6	0.4	0.4	0.6	0.6	na	na
Yadav	11.3	11.3	11.3	11.0	10.8	na	na
Lower Backwards							
Dhanuk	2.1	2.0	1.9	1.8	1.7	na	na
Hajjam	1.4	1.4	1.4	1.4	1.5	na	na
Kahar	1.8	1.8	1.8	1.7	1.6	na	na
Kumhar	1.3	1.3	1.4	1.3	1.4	na	na
Teli	2.8	2.8	3.1	2.8	2.8	na	na
Harijans							
Chamar	3.7	3.8	4.0	4.0	na	4.1	4.2
Dusadh	4.2	4.2	4.2	4.1	na	3.7	3.7
Musahar	2.2	2.2	2.3	2.3	na	2.2	2.1

Note : Figures for Harijans were not available for individual castes for 1951, and data for all castes were not published for 1941. Figures have been adjusted where appropriate for boundary changes over the period.

Source : For all years except 1951, figures were derived from the *Census of India;* for 1951, figures were derived from the *Report of the Backward Classes Commission*, vol 2, pages 16-22. Castes listed here are all the major Hindu castes for which data were given in the *Report*, except that the three major Harijan communities of Bihar are added for comparison.

must consider them as such as well. In column B of Table 1, then, Bengalis are added in, which makes the total 102.5 per cent, and then all the group percentages are recalculated so that the total again adds to 100.0 per cent.

How accurate is such a listing, based as it is primarily on data from 1931? It is, of course, hard to say, in view of the absence of later data for most of the caste groups, but for those groups on which there are later figures, there is a remarkable consistency over time. A comparison of the 1951 data published by the BCC and the 1961 and 1971 census data on Scheduled Castes with the figures for 1931 and even earlier censuses for some of the major caste groups is presented in Table 2. Here we find that despite urbanisation over the years, perhaps some upward caste mobility,[8] and possibly a tendency for wealthier (and higher caste) families to be larger than poorer and lower caste families,[9] these caste groups have retained essentially the same proportion of total population over quite a long time period. In sum, the list in Table 1 should be a reasonably accurate portrayal of the various communities in Bihar today.[10]

RESERVATIONS AS SYMBOL

Somewhere in the vicinity of half the population of Bihar, then, has been designated as officially Backward, and is eligible for 20 per cent of the new positions open in the state bureaucracy, with an additional 3 per cent reserved for women of any caste and 3 per cent reserved for economically backward groups (generally interpreted to mean poor members of the Forward castes), with a ceiling of Rs 8,000 on annual family income for the applicant. For the 20 per cent portion, three-fifths (12 per cent) were to go to the Annexure I Backwards who, as we have seen, constitute about two-thirds of the Backwards overall and two-fifths (8 per cent) were to go to the Annexure II or Upper Backwards, who make up about one-third of the total Backward population. A proviso in the regulation stipulated that if the reservation for Annexure I Backwards could not be filled by members of those caste groups within three years, then they could be filled with candidates from Annexure II.[11] Thus the reservation decision would appear to represent a substantial victory for the Backward classes, especially for the more advanced Backwards of Annexure I. After being grossly underrepresented at all echelons of the state bureaucracy for the entire period since independence and the period of British rule as well, the Backwards finally gained a modicum of their fair share of the posts.

But how much of a victory was it? An estimate of all the governmental posts created in Bihar per year came out to a mere 9,000.[12] 20 per cent of that comes to only 1,800 positions, and this figure includes all jobs from the state Class I services to the minor functionaries of Class IV. Considering that by 1977-78 there were about 210,000 college students in Bihar,[13] a good number of whom were Backwards, this was not many jobs to go around.[14]

The widespread violence that has bedevilled and disrupted the state over the job reservation issue clearly could not have arisen solely from the less than 2,000 posts that were at stake. If the policy is actually implemented, only a few Backwards can directly benefit from the quotas, and they will be from the richer families that can afford the education required for the higher posts, or those lucky families that have the connections to get the lower posts. The positions will no doubt be important on an individual basis both to those who get them and those who would otherwise have got them but were denied them because of the reservation policy. But this will scarcely amount to a transformation of the social structure in favour of the Backwards.

The whole struggle is not really over the 2,000 jobs, however; rather, the reservation policy is a symbolic issue that has gripped the imagination of virtually everyone in Bihar who has even the slightest degree of political awareness. Through the reservation issue, Karpoori Thakur asserted that the Backwards had displaced the Forwards as the dominant force in Bihar politics, that the old days of dominance in public affairs from village to Vidhan Sabha by the 'twice-born' were gone forever, and that his government would be one based on the support of the Backwards. The Forwards interpreted things this way as well, fearing that their days of dominance might indeed have departed, and responded with a volatile mixture of fear and rage.

At the student level, the Forwards showed their distress and anger in bus burnings, train derailings and vandalism upon government buildings. At the political level, the Samastipur bye-election for the Lok Sabha, held in late November 1978, proved a test for the Thakur government and its Backward support base. The campaign generated an almost complete polarisation of rural society in the constituency between a united Forward group that had put away its many intercaste differences of the past and a solid Backward bloc. The Forwards supported the Bhumihar Congress (I) candidate, Tarkeshwari Sinha, and the Backwards united behind a Koiri college teacher handpicked by the Chief Minister. As it turned out, there were more Backwards than Forwards in Samastipur, just as in the state as a whole,[15] and the Janata candidate

TABLE 3 : CASTE COMPOSITIONS OF GENERAL SEATS IN BIHAR VIDHAN SABHA, 1961-1977
(Figures in Percentage)

Group	1962	1967	1969	1975	1977	General Population
Brahman	17.2	13.2	12.3	18.3	7.6	6.0
Bhumihar	12.6	14.8	14.8	14.7	14.8	3.6
Rajput	23.8	22.2	23.5	19.8	21.7	5.3
Kayastha	5.4	4.9	3.3	2.0	4.4	1.6
Forwards	59.0	55.1	53.9	54.8	48.6	16.5
Bania	3.3	5.3	6.2	4.6	3.2	0.8
Yadav	11.7	15.2	18.5	11.7	20.5	13.8
Kurmi	7.1	5.3	3.3	5.6	4.8	4.5
Koiri	6.7	5.8	4.1	5.6	6.4	5.2
Upper	(28.8)	(31.6)	(32.1)	(27.5)	(34.9)	(24.3)
Lower	(1.7)	(2.9)	(2.5)	(2.0)	(3.6)	(40.3)
Total Backwards	30.5	34.5	34.6	29.5	38.5	64.6
Muslims	8.8	7.4	7.8	13.2	10.0	15.8
Bengalis	1.7	2.9	3.7	2.5	2.8	3.1
Grand Total	100.0	99.9	100.0	100.0	99.9	100.0
N	242[a]	243[b]	242[c]	197[d]	249	
Gini co-efficient	.778	.756	.767	.734	.702	

Notes : Scheduled Castes and Tribes are not included, as they are represented proportional to population through the reserved seats.
[a]Excludes 3 MLAs for whom caste was not available and 1 Adivasi elected from a general seat.
[b]Excludes 1 Adivasi elected from a general seat.
[c]Exclude 2 MLAs for whom caste was not available.
[d]Position as of June 1975, after the resignations in connection with the JP Movement in Bihar.
Source : Interviews with MLAs in various years.

won the election amid a torrent of charges and countercharges of ballot stuffing, voter intimidation and booth capture.

Karpoori Thakur survived one challenge to his ministry in January 1979, when he was able to beat down a no-confidence motion in the Assembly. But finally in April the combination of a Forward-Harijan alliance in the Assembly and the national-level Jana Sangh/BLD conflict within the Janata party brought down the Thakur government. It was succeeded by a ministry headed by a Harijan, Ram Sunder Das, but dominated by the same combination of Forwards and Jana Sanghis that had defeated the Thakur government. Thus the shift from Forward to Backward control at the ministerial level under Karpoori Thakur was in the end a short-lived one, but the underlying trends in the state overall, it will be argued in this essay, is in favour of the Backwards.

CASTE IN THE STATE ASSEMBLY

In a state where caste and politics have been mixed in such a strong and often explosive combination for so long, the Vidhan Sabha is a natural place to look for evidence of a change from Forward to Backward primacy. Table 3 gives a caste breakdown of the general seats in the Bihar Legislative Assembly over the 1962-77 period. Here we find the familiar story of upper caste domination in the early years, when well over half of the MLAs from non-reserved seats belonged to the four 'twice-born' castes. The pattern maintained itself through the 1967 and 1969 elections, and even down to the period of the Emergency, when fully 54.8 per cent of the MLAs from general seats were Forwards, as against their 16.5 per cent of the non-Scheduled population.[16]

The 1977 election meant a noticeable decline in the Forwards' representation, to 48.6 per cent, though a look at the figures for the individual caste groups shows that all that decline was borne by the Brahmans, who dropped from 18.3 per cent of the general seats in 1975 to only 7.6 per cent in 1977, or in numerical terms from 36 MLAs to 19. The other three castes among the Forwards even gained a bit; in fact their collective share (for Bhumihars plus Rajputs plus Kayasthas) went up from 36.5 to 40.9 per cent. Why should it have been only the Brahmans that were purged by the voters? Perhaps they suffered from their caste connection with Indira Gandhi and the Emergency period Chief Minister of Bihar, Jagannath Mishra, both of whom are Brahmans; perhaps the voters in some sense held Brahmans generally responsible for the 'excesses' committed under the Emergency leadership of Brahman Prime Minister and Chief Minister.

As the Forwards declined in strength, the Backwards grew, but just as the Forwards' loss was really the drop of just one caste group, so the advance of the Backwards was actually the progress of only one community, the Yadavs, who by 1977 had become the second largest group in the Assembly, next only to the Rajputs. For the other Upper Backwards, representation has been essentially stationary over the period (Banias and Koiris) or even declining, as with the Kurmis, who basked under Congress patronage back in the days of Binodanand Jha's chief ministership in the early 1960s, but who have faced leaner times since. The category labelled other Shudras has consisted of a different mix each time, with never more than two from any caste group. They are primarily the Annexure I Backwards, such as Dhanuks, Hajjams, Kahars, Kewats, Mallahs and Noniyas.

Among the Backwards, the Upper Backwards have been consistently overrepresented. Even back in 1962, the four Upper Backward castes had 28.8 per cent of the general MLA seats, as against only 24.3 per cent of the non-Scheduled population. By 1977, their percentage of seats had grown to 34.9. The Lower Backwards, on the other hand, are 40 per cent of non-Scheduled population, but have never had more than 3.6 per cent of the general seats. Backward participation in state politics, then, has been a very uneven business, confined for all practical purposes to the Upper Backward community.[17]

The gini coefficient is an overall measure of inequality generally used to measure the degree of equality in the distribution of income or land, but it can also be used to measure the relationship between distribution of castes in the population (analogous statistically to classes of landowners) and MLA seats in the Assembly (analogous to the amount of land held by the different classes of landowners). As in the conventional use of the gini coefficient, its value here varies between zero (perfect equality, or each group represented in proportion to its share of the population) and unity (perfect inequality). Over the 15 years covered in Table 3, the gini coefficient

TABLE 4 : CASTE COMPOSITION OF PARTIES AND COALITIONS IN POWER IN BIHAR VIDHAN SABHA, 1962-1977

(Figures in Percentage)

Group	1962	1967	1969	1975	1977	State Population
Brahman	14.1	8.6	11.8	16.0	2.8	4.6
Bhumihar	13.6	11.1	10.5	9.3	12.0	2.8
Rajput	14.1	24.1	19.1	14.4	19.4	4.1
Kayastha	6.0	3.1	2.6	1.5	5.1	1.2
Forwards	47.8	46.9	44.0	41.2	39.3	12.7
Bania	2.7	3.1	3.3	4.1	2.8	0.6
Yadav	8.2	14.8	15.1	9.3	14.3	10.7
Kurmi	6.5	1.2	3.3	4.6	2.3	3.5
Koiri	6.5	6.8	3.9	4.1	4.1	4.0
(Upper Backwards)	(23.9)	(25.9)	(25.6)	(22.1)	(23.5)	(18.8)
(Lower Backwards)	(0.5)	(3.1)	(1.3)	(1.5)	(2.3)	(31.2)
Total Backwards	24.4	29.0	26.9	23.6	25.8	50.0
Muslims	8.2	4.9	8.6	10.3	6.5	12.2
Bengalis	1.1	3.1	.0	0.5	2.3	2.4
Scheduled Castes	17.4	11.7	12.5	15.5	18.0	13.8
Scheduled Tribes	1.1	4.3	7.9	8.8	8.3	8.9
Grand Total[a]	100.0	99.9	99.9	99.9	100.2	100.0
N	184	162	152[b]	194	217	
Gini co-efficient	.760	.674	.635	.599	.618	

Notes : [a]Totals may not add to 100.0 because of rounding.
[b]This coalition included the support of several independents to give it a majority in the Vidhan Sabha; these independents are not included here.
Source : As for Table 3.

has gone down from .778 to .792 — some progress toward equal representation, to be sure, but hardly a revolution. The Backwards, or more precisely the Upper Backwards, have made some progress in state politics over the last decade and a half, but they have not brought about any sweeping change in the politics of representation.

CASTE IN RULING PARTIES

A better gauge of the respective strength of different caste groups at state level than total membership in the Vidhan Sabha would perhaps be the composition of the ruling party, for after all, it is the governing party that makes policy in the parliamentary system, not the legislative body as a whole. Table 4 presents a breakdown of the major ruling parties and coalitions since 1962. Here we again see evidence of a steady fall in the position of the Forwards, from 47.8 per cent of Binodanand Jha's Congress party in 1962 to 39.2 per cent of the 1977 Janata Legislature party.[18]

Again also, it is the Brahmans who have lost most heavily. They were (along with the Rajputs) the principal element in the Congress headed by Pandit Jha, himself also a Brahman. Brahmans were somewhat less well represented in the United Front and Congress coalition alliances of the late 1960s and then recovered to become the major contingent in the Congress party headed by Brahman Chief Minister Jagannath Mishra during the Emergency. Perhaps because of their intimate connections with the Congress, the Brahmans were not a major element in the Janata party in 1977. In fact the proportion of Brahmans in the Janata was even less than their percentage of the population as a whole, the first time that any of the Forwards suffered such an embarrassment. But as the Brahmans were down, other castes among the Forwards came up, with the Rajputs, Bhumihars and Kayasthas all improving their representation under the Janata significantly.

Somewhat surprisingly, the Backwards, though the centrepiece of the Janata strategy in Bihar, were no better represented in the Janata Legislature Party than in any of its predecessors. Indeed, the total Backward group was virtually the same in 1977 as it had been in 1962, with the four Upper Backward communities comprising almost all the Backward membership of the Assembly throughout the entire period.

Rather than the Backwards replacing the Brahmans, it was the Scheduled Tribes that increased their participation as members of ruling parties and coalitions. In 1962 the Jharkhand movement was still running strong in Bihar, and its members would have no part of Congress rule, but as the 1960s wore on, the Jharkhand fragmented, and Adivasis became as divided between different parties and factions as any other groups. In the process they became better represented in the make-up of the ruling coalitions of 1967 and 1969 and in the governing parties of the 1970s.

In an overall sense, representativeness as measured by the gini co-efficient improved over the 1962-77 period, with a drop from over .700 to around .600, but it is interesting to note that Jagannath Mishra's party in power, widely viewed as an upper caste enterprise, was slightly more representative (gini coefficient = .599) than Karpoori Thakur's Janata party (= .618) with its much more avowedly lower caste rhetoric.

CASTE AT MINISTRY LEVEL

Evidence of a massive change from Forwards to Backwards is not to be found, then, in the composition of party and coalition rule in Bihar. The next logical place to look is the ministry level, for here is where the real power is thought to lie in a parliamentary system — with the cabinet ministers, who both produce the legislation and direct the bureaucracy that implements it, not with the backbenchers, who in theory have to toe meekly the line laid down by the ministry. The successive waves of defections of the 1960s and early 1970s have eroded much of this traditional party discipline, certainly, but even so the ministry is still where the power is. Table 5 gives a caste breakdown for full ministers in all the ministries since 1962 that lasted 10 months or more (thereby leaving out seven ministries during 1968-69 and 1970-72 that lasted anywhere between 4 days and 7 months) and also the Ram Sunder Das ministry that replaced Karpoori Thakur's government in the spring of 1979. They range in size from K B Sahay's trim 10-man ministry to Karpoori Thakur's much larger ministry of 24 members.

Here there is some indication of real change. Down through Jagannath Mishra's Emergency-period cabinet, the Forwards invariably had the major role, in the early years with twice (B N Jha and K B Sahay cabinets) or

TABLE 5 : CASTE COMPOSITION OF MAJOR CABINET MINISTRIES, 1962-1979

(Full Ministers Only: Figures are in Percentages[a])

Category	B N Jha 1962	K B Sahay 1963	M Pd Sinha 1967	D Pd Rai 1970	Kedar Pandey 1972	Abdul Gafoor 1973	Jagannath Mishra 1975	Karpoori Thakur 1977	Ram Sunder Das 1979	State Population
Forwards	58	40	67	33	38	38	40	29	50	13
Upper Backwards	8	20	20	20	23	23	20	38	20	19
Lower Backwards	0	0	7	0	0	5	0	4	0	31
Muslims and Bengalis	8	20	7	13	15	10	13	13	15	15
Scheduled Castes and Tribes	25	20	0	33	23	24	27	17	15	22
Total	99	100	101	99	99	101	100	101	100	100
N	12	10	15	15	13	21[b]	15	24	20	
Gini co-efficient	.701	.540	.745	.505	.516	.473	.532	.467	.614	
No of months in office	32	41	11	10	15	21	25	22	3[c]	

Notes : [a]Percentages may not add up to 100 because of rounding.
[b]Excludes one minister of undetermined caste.
[c]Until the wave of resignations in July 1979.
Source : As for Table 3.

three times (Mahamaya Prasad Sinha cabinet) the representation of the next highest group. In the four Congress ministries of the 1970s, Forward preponderance was not so overwhelming, but was nonetheless very definitely present. Only with the Janata ministry did the Backwards form something approaching a majority. Of course, by 'Backwards' we in fact mean Upper Backwards, for they had 38 per cent of the posts, while the Lower Backwards have only 4 per cent, or one minister (though he was a very potent one, the Chief Minister himself). As elsewhere, then, the advance of the Backwards meant the advance of the Upper Backwards. With Ram Sunder Das, the older pattern reasserted itself; exactly half the ministers were Forwards, and the Backwards were reduced to the level that they had been relegated to in earlier times.

During the 22 months that the Karpoori Thakur ministry was in power, the Forwards, with about 40 per cent of the Janata MLAs (Table 4) had only 39 per cent of the ministerships, while the Upper Backwards about 24 per cent of Janata MLAs) had fully 38 per cent of these posts. On the other hand, the Ram Sunder Das ministry, whatever its other faults, much better reflected the make-up of its party than did Karpoori's government, as a comparison of Tables 4 and 5 will show. How is it that the Karpoori ministry was so overrepresented with Backwards?

One explanation could be that the Janata MLAs were not that concerned with matters of caste, but in the context of Bihar's caste-ridden political tradition and the current Forward-Backward confrontational politics over the reservation issue, such a happy line of reasoning can be dismissed out of hand.

Instead, it must be that the Forwards in the Janata party went along with the division of ministerships for reasons that overrode their own immediate caste considerations, strong though these latter remained. There are at least two reasons why this might have been so. The first is that various constituent elements of the Janata were feeling strong pressure from the national level to stay in the Janata fold in Patna. This was particularly true of the Jana Sangh group of the Bihar Janata (its largest constituent, with something like 65 out of its total 217 MLAs), whose members privately were most critical of the Thakur government's pro-Backward policy. Many of the Jana Sangh MLAs would have liked to revolt against the Thakur ministry, and in fact eventually they were the major factor in bringing it down, but up through early 1979 at least, the national Jana Sangh leadership saw itself as having everything to gain if it became the main pillar of support for the Desai government while Charan Singh's BLD group dissipated itself in its various intrigues. The party at the national level, in short, was anxious that its Bihar MLAs not destroy the Janata government in Patna by pulling out their support, for a Janata collapse in Bihar might very well have shaken loose the foundations of the Janata government in New Delhi as well. As things eventually unfolded, that in large part was precisely what did happen, with the Jana Sangh's muscle-flexing in Bihar a major factor in the BLD campaign against them in New Delhi and in the collapse of the Jana Sangh-backed government of Morarji Desai at the Centre in July 1979.

POLITICAL ECONOMY IN RURAL BIHAR

But an even more important reason for the Forward MLAs to support a ministry dominated by Backwards was what was going on in their own constituencies, that is to say in the countryside in this 90 per cent rural state. It is at this point that we must enter the thicket of political economy and confront the juxtaposition of caste and class in the Bihar mofussil. At the entrance to the thicket, though, it is necessary to pause for a moment to look at the geography of caste. Taking the 1911 Census as a guide again, we find that there are a few areas of Bihar where the Forwards are in a plurality; they form over 30 per cent of total population in parts of Bhojpur and Saran districts and over 25 per cent in pockets of Aurangabad, Patna, Rohtas and Siwan districts.[19] For the most part, however, they collectively amount to between 5 and 15 per cent of the population. Instead it is the Backwards that are the plurality group in most of the state, and in particular the three Upper Shudra communities. Yadavs alone account for over 25 per cent of population in areas of Bhagalpur, Gaya, Hazaribagh, Patna, Saharsa,

Saran and Vaishali districts, and taken together with the Kurmis and Koiris amount to over 30 per cent in larger parts ot Giridih, Nalanda and Rohtas districts in addition to those just named.[20]

In short, the Upper Backwards simply outnumber the Forwards in most places. In the past this numerical inferiority did not hurt the Forwards, for they were the major landowning castes under the British zamindari system; they were the zamindars and the intermediaries in the structure of subinfeudation that built up over the years of British rule. The actual farmers or ryots were largely the Hindu agricultural castes of Upper Backwards, and under them were the mazdoors or landless labourers, mainly Harijans, who were often in a relationship of debt bondage or *kamyoti* to their patrons. There was not an exact identity between caste and class here, for there were some Shudra zamindars and a good many twice-born ryots to say nothing of Shudra mazdoors, but for the most part caste and class fit together very well indeed.[21]

After the zamindari abolition of the 1950s, the picture became a bit more blurred, as large numbers of zamindars 'resumed' cultivation of their lands and became ryots, but the basic division remained. Now the Forwards became the larger cultivators, often with holdings greatly in excess of the land ceilings imposed by the Congress government, holdings which they were able to retain through a combination of benami transfers, badly maintained land records and corruption.[22] The Upper Backwards became the small cultivators, and the Harijans stayed where they were as landless labourers.

Even where the Forwards became what would have to be called small farmers on the basis of landholding size, they have tended to behave like big farmers, for in one of those interesting instances where cultural norms reinforce class differences, there is a traditional taboo against upper caste men actually handling the plough or physically working in the fields. An upper caste landholder, whether large or small, either let out his land on tenancy or share, or he 'cultivated' it directly by hiring landless workers and supervising them in the field, generally directing them in their tasks from a comfortable vantage point under a shade tree or an umbrella. He maintained control over his status and wealth through the harsh terms of his rents (usually a 50-50 split of the produce with the *bataidar* paying all the costs of the inputs), through moneylending at high interest rates, through paying low wages (generally below the legal minimum wage) if he 'cultivated' directly, and through the 'enforcers' that he maintained as retainers to collect rent and interest payments.[23]

In addition, the landowner has had the police at his beck and call in those relatively rare instances when the lower orders, usually Harijan mazdoors, demanded better conditions and it looked as though his own enforcers might not be able to control things.[24] The object of all these machineries of control, it should be noted, has not been primarily profit-maximisation or even pre-capitalist accumulation, but rather maintenance of position, for the larger farmers are motivated more than anything else by fear of losing control, of being sucked under by the huge undermass in the countryside. For them risk is not measured in terms of possible financial gain and loss, or opportunity cost considerations, so much as in terms of possible loss of social, economic and political control over the rural areas.[25]

Money-lending may be taken as a case in point here. If the outrageous rates of interest that one hears mentioned so often — 50 per cent per season, 150 or 200 per cent per year, etc — were the real rates of interest, then within a short space of time the money-lenders (who are mostly the big farmers) would in short order own everything in the countryside, lock, stock and barrel. But they do not, and the reason is that they never realise these nominal intrest rates, nor do they intend to. Their purpose is not to own *everything* but to keep *everyone* in thrall as much as possible. Thus the basic point of lending money is to keep the borrower in one's debt, not to make a profit.[26]

The failure of governmental rural development efforts in Bihar is another example. It is well known that at the local level programmes mounted in Patna (or in New Delhi) have been taken over by local elites and perverted by them to their own ends. Part of this perversion has been because of the money involved, of course, for big farmers in Bihar are no more immune than any other group to the lure of easily gained loot. But more of the perversion has been because of what might be called a political economy of fear: big farmer elites have been afraid that if the rural economy did expand, they would lose their control over it. By taking over and milking community development, co-operatives, panchayati raj, minor irrigation and all the other programmes, they assured that very little development ever occurred and that their own control endured.

This situation fits in very well with the needs of the politicians managing things at the state level from the 1950s onward, for their principal objective was also to stay in power and enjoy its fruits, not to develop the state. Their major worries were two: insurrection in the countryside and displacement by other elites in the corridors of power at Patna. With the main power groups at the state level and in the countryside both wanting above all to maintain their control, and both being composed primarily of the same caste groups, it is not surprising that a tacit arrangement developed between them, whereby each assisted the other.[27]

The big farmers kept order in the *mofussil* through their sharecropping, money-lending, patron-client relationships and enforcers. They also mobilised their retainers, followers and dependents in electoral support of the dominant groups in Patna. This did not mean invariable support for the Congress, for in the elections of 1967 and 1969 large portions of the rural elite deserted the Congress, but they did so in favour of other 'responsible' parties, such as the Jana Kranti Dal, Lok Tantrik Congress Dal, Congress (O), Bharatiya Kranti Dal, etc, which were filled with dissident and disgraced Congressmen. Other rural elites went for 'conservative' parties like the Jana Sangh or the various parties improvised by the Raja of Ramgarh, or even the 'left' parties like such as the Praja Socialist Party, Samyukta Socialist Party or Communist Party of India, which espoused radical rhetoric but, with an occasional exception like the 'land grab movement' of the early 1970s, gave little serious indication of putting it into action.[28] The rural elites definitely did not give any support to insurrectionary movements like the Naxalites of the CPI (M-L), who surfaced in several areas of the state in the late 1960s and early 1970s. Nor did any serious support go to the Communist Party of India (Marxist) with its designs of restructuring the economy within the democratic framework; the CPI (M) won only 4 seats in 1967, 3 in 1969 and none in 1972.

For their part of this *de facto* bargain, the successive ministries in Patna did three things. First, despite the salvos of rhetorical bombast fired off on numerous occasions on land reform, minimum wage, bonded labour and so on, they precluded any real change in the land structure after the zamindari reforms of the 1950s. Thus big farmers were guaranteed security of tenure. Second, as has been noted above, they insured that the state police would be available to protect landlords in the event that the latter's own enforcement machinery should be unable to handle matters. The fact that serious threats to the landowners from below happened only sporadically and in isolated instances assured that a relatively small constabulary could handle matters, so the cost of police protection was not a great burden.[29] Thirdly, there was the patronage system of rural development that has also been considered previously, whereby the government in Patna funnelled money to local elites in the form of development programmes.

This arrangement worked reasonably well down through the Emergency, but in the post-Emergency period it came under attack, for the forces that created it also put into motion other developments that eventually promised to overturn it.

Importance of Suffrage

The key here is the universal adult franchise that was instituted in the Indian Constitution of 1950. At first, voting in the rural areas simply fitted into the prevailing patron-client system, with the voting being just one more thing that the patron manipulated for his benefit. But then as other parties began to contest the Congress for supremacy, first at state and then at national level, there came to be more competition for votes. The various factions within the Congress and then other parties began to reach out further for electoral support. Actually, this spread had begun even before the universal franchise. In the early years after the formation of Bihar and Orissa as a province separate from Bengal in 1912, Kayasthas and Muslims from the great landholding zamindari families were the major actors; then participation spread to Bhumihars and Rajputs in the 1930s and 1940s, and finally to the Brahmans in the post-Independence period.[30] Then parties like the SSP began to appeal specifically to the Backwards, and even the Congress started to take them seriously as an important constituency. Naturally the Upper Backwards, being more advanced economically and better organised, were the first to respond to such opportunity and to gain important leadership posts. By the mid-1960s, for example, Ram Lakhan Singh Yadav had become known throughout the state as the 'chief lieutenant' of Chief Minister K B Sahay. Still, there was a good deal of time lag between political awakening and the acquisition of real political power. In the late 1960s and early 1970s, there were several Backward Chief Ministers, but they tended to be compromise candidates between various factions of Forwards and behaved as such, rather than as champions of the Backwards during their invariably short chief ministerships.[31] It was not until the late 1970s that the Upper Backwards became truly powerful politically, for it was only then that a Karpoori Thakur was able to unite them behind a common policy, that of the reservation issue.

The dominance of the Backwards is bound to be somewhat shaky, certainly at first, as we have already seen. The Forwards are unreconciled to the situation, to say the least, and though they did support Karpoori Thakur in his first crisis of January 1979,[32] in the April crisis they combined with the Jana Sangh element of the Janata party (actually quite a number were members of both the Forward castes and the Jana Sangh) to unseat him. The Forwards will be around as a strong factor for the indefinite future.

The rising Backwards are also facing a challenge from below, for the same expansionary tendencies within the Indian electoral system that got them involved in politics have also energised those at the bottom level, the Harijans, who are in general the landless agricultural labourers of Bihar. A few Harijans have been led by Naxalite cadres to demand better working conditions, but far more have been awakened through the populist rhetoric of the Emergency Congress and Janata regimes on land reform, minimum wages, bonded labour, debt redemption, and so on. The preponderance of evidence is that these programmes were not meant to be taken seriously but in a number of cases (and probably far more than the few that have been reported) landless labourers have organised themselves at the village level and demanded that governmental promises on minimum wage, bonded labour and the like be implemented.[33] Thus far the government has used the police power to back the landowners against these upstarts, and the story of Harijan uplift in the rural areas has been in large measure a story of Harijan atrocities.[34] But for the immediate political future, landless labourers have been aroused and will continue to make demands on their landlords, large and small.

The Harijans have also become active in state level politics. In the various manoeuvres connected with the fall of the Desai ministry at the Centre in July 1979, a good number of Harijan MLAs lined up with the Jana Sangh and against Karpoori Thakur in the Bihar Assembly, just as the national Harijan leader Jagjivan Ram was courting Jana Sangh support in his bid against Thakur's patron at the national level, Charan Singh.[35] The difference between the two levels of activity was that while Charan Singh won (at least temporarily) in New Delhi, Karpoori lost in his efforts to topple his successor Chief Minister Das in Patna. The Harijans, then, constitute a threat to the dominance of the Backwards, at least in so far as they can ally with the Forwards. The rural Backwards thus face resentment from above and possible rebellion from below in consolidating their control.

The Backwards also have an agenda of class interests that is broader than merely opposing other class/caste groups. As middle and small farmers, or cultivators who actually work their holdings themselves and as a new group in power, they are not only interested in stability and control, but also are much more concerned with maximising profits than the old 'twice-born' *maliks*. They are Charan Singh's natural constituency, very much interested in such things as higher grain prices, abolition of agricultural taxes, and state programmes subsidising agricultural inputs and infrastructure. As chief minister, Karpoori Thakur was well aware of these interests, and was not at all shy in articulating them.[36] Indeed, he has been a champion of the rural middle class interests as well as of the rural middle caste interest.

Conclusions

In the near and middle term we may expect several developments. First, the transfer of power to the

Upper Backwards may be expected to continue at the local level along political lines. In the summer of 1978 the Thakur government conducted panchayat elections throughout the state, with the object of getting its supporters into power at the village level.[37] No thorough analysis of these elections has yet emerged, but impressionistic indications in the districts and in Patna are that there was a large scale displacement of the old officeholders, both Forwards and Backwards, by new men who are Karpoori Thakur supporters. Second, there will likely be a noticeable transfer of economic power in the countryside to the Backwards, as the Forwards prove unable to cope with the aggressiveness, industry and profit orientation of the Backwards.[38] To say that Bihar will turn into a Punjab would surely be too much, but now there is at least some chance that Bihar's incredibly rich natural potential in agriculture will be exploited.

Third, at the state level there will doubtless be a continuing struggle between Backwards and Forwards in the Legislative Assembly and perhaps even a series of alternating governments in the short term. But with the next elections there will surely be a pronounced shift towards the Backwards in terms of MLAs returned to office, a shift that should be sufficient to make them the dominant voice in the state's politics. The 1977 election was, in Bihar as elsewhere in North India, essentially a referendum In the Emergency, and caste, although by no means absent, probably played a smaller role than in any recent election in Bihar. The next election will be different, turning into a referendum on Karpoori Thakur's Backward policy and very difinitely fought along caste group lines between Forwards and Upper Backwards. The Samastipur bye-election served as a preview of what will happen; the Upper Backwards will use their numbers, aggressiveness and economic and political power at the local level to overwhelm the Forwards, and there will be a great many more Backwards returned as MLAs. To look at it another way, the Forward-Harijan alliance that worked to keep Karpoori and the Backwards at bay on the Legislative Assembly floor in July 1979 will not work out in the Constituencies, where Harijans have no more reason to support the declining fortunes of their Forward patrons than to support the advancing fortunes of the Backwards who employ them as day labourers.

Fourth, the condition of landless labourers will probably deteriorate, as the agricultural structure of the state slowly moves from semi-feudalism to capitalism. The patron/client system that attached agricultural labourers to their masters and that Grierson despaired of in the 1890s still very much exists today, but it is the system of the upper castes.[39] As the Upper Backwards take over more of the agricultural economy of the state and gradually take over more of the land from the less efficient Forwards, they will spread their own system, which is to maximise use of labour within the family and hire in outside labourers for cash only as needed. The landless labourers will cast off from their serf-like bonded or attached status to become 'free' labour, giving up a position of degradation with some security for one of degradation wihout any security at all. In the near term future the increasing economic activity of the Backward farmers may provide some increase in employment, but in the middle and long run a good part of that added demand for labour will be met from within the family and by mechanisation, as the Backwards consolidate and build upon their position. As their welfare goes down, the militancy of the landless labourers may well go up in terms of confrontation with the Upper Backwards, but the material reality of their plight can only worsen over time.

Overall, there is emerging into view the outlines of a new political economy in Bihar that will be quite similar to the old one in many respects. As before there will be a tacit arrangement between the dominant class in the countryside and the governing elites in Patna. The Thakur government already began its own patronage programme to insure the continued allegiance of its rural support base; under future ministries the Integrated Rural Development Programme, Food for Work Programme, Antyodaya Programme, etc, will all channel state funds into the hands of the locally dominant strata, though their ostensible purpose will be much more egalitarian.

In its relations with New Delhi a Backward-dominated state government in Bihar will pursue a middle farmer orientation, continuing to demand higher prices for foodstuffs and lower prices (that is, subsidies) on credit and physical inputs. The Upper Backwards in the countryside will continue to maintain stability and will support the Janata party at state level, while prospering as the new dominant stratum at village level, though worried about opposition from Forwards unreconciled to their loss of power and from Harijans restive at the bottom.

There is little doubt that Bihar is in process of undergoing its third major social, economic and political change in this century. Sachhidanand Sinha, who led the struggle culminating in the separation of Bihar from Bengal in 1912, could be said to be the creator of Modern Bihar. Sri Krishna Sinha, who shepherded the province into independence and through its first decade and a half thereafter, could be described as the creator of a Forward Raj in Bihar. And Karpoori Thakur may well turn out to have been the creator of a Backward Raj.

Notes

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1 The Bajitpur tragedy in Begusarai District, on November 15, 1978, offers a good example of press coverage. See *The Times of India*, (1978a); also *EPW*, (1978b). Concerning political murders, see *The Statesman Weekly*, (1979c). On the situation in Bihar generally, see *India Today* (1978).

2 See *Hindustan Times* (1979b.)

3 These lists were used by the Government of Bihar for various purposes in the 1950s and 1960s. For examples of their use (and copies of the lists themselves), see Government of Bihar (1966: 136-63, 404-6, 487-93, 509-12). Galanter (1978: n40) reports provisions by the Government of Bihar for Backward Classes as far back as 1947.

4 Government of India (1955: Volume 2, 16-22, Volume 3, 14-5).

5 *Ibid*, (Volume 1, i-xxxiii); also Galanter (1978: 1817).

6 AIR (1965).

7 For a summary of the Mungeri Lal report, see Mishra (1978). The saga of defining the Backwards continues today, with the appointment of a new Backward Classes Commission at the Central level. headed by B P Mandal, himself a Backward from Bihar; this new

BCC is to report by the end of December 1979. See *Indian Nation* (1978b) and *Hindustan Times* (1979a).

8 The party successful efforts of the Bhumihars to transform themselves into Brahmans during the early part of this century is well documented (see Blair, 1979b). It is possible that other castes of lower ritual rank have also transformed themselves upwards in recent decades, though the census no longer records their successes and failures, and for the numerically significant caste groups, there would appear to be more to be gained from political mobilisation than from social climbing.

9 On this relationship, see Blair 1979a: 76-78); also Nicholas (1961).

10 It would perhaps be better to use the 1971 Census data for the religious, linguistic and Scheduled categories in Table 1, rather than the 1961 figures, but even as of 1978 all the relevant Bihar census volumes for 1971 had not been published, so it was not possible to do so. The consistency of caste strength at state level over time is also true at district and thana level (Blair, 1979b.)

11 *Indian Nation* (1978a).

12 That is, 2,500 in state government departments, 4,000 in state undertakings and 2,500 in local bodies (Mishra, 1978: 29-30).

13 Government of Bihar (1978: 314).

14 There are no data available on college enrolment by caste, but thirty to forty per cent would not be an unreasonable estimate of the Backwards' share.

15 In the three revenue thanas that make up the Samastipur Lok Sabha constituency, there were according to the 1911 Census (the most recent to include sub-district level data) 16.8 per cent Forwards and 26.2 per cent from the Upper Shudras caste groups (Banias were not reported at thana level in 1911). Of the 10 Lower Shudra groups listed in Table 1, thana level data were available for 9 for 1911, showing them to have a collective 23.1 per cent of the population. In other words 49.4 (26.1 + 23.1) per cent of the population consisted of 12 Backward castes.

16 Data are given for 1975 rather than 1972 (the year of the election) in order to give a better comparison between the Janata era and the Emergency Congress domination that immediately preceded it. The total *n* of 197 for 1975 reflects the resignations of a large number of MLAs in response to the demands of the JP Movement of 1974-75.

17 Of course one finds exceptions, a most notable one being the first Janata Chief Minister himself, Karpoori Thakur, who is a Hajjam, or Nai, by caste background.

18 Note that in Table 4 the Scheduled Castes and Tribes are included, unlike Table 3, because while overall representation is assured to Harijans and Adivasis in the Assembly proportional to their numbers in the whole population of the state, representation in the ruling party is not. In other words, their inclusion in Table 3 would always be equal to their percentage of the state's population, so there is no point in including them, but this is not the case in Table 4.

19 For more on the geographical distribution of caste, see Blair (1979b).

20 *Ibid.* As mentioned in note 15, Banias were not included in the 1911 data, for they were too few in overall numbers (cf Table 1).

21 For examples of this complementarity (and sometimes contradiction) of caste and class, see Dhar (1976), Dhar and Mukherjee (1978), Sinha (1977a, 1977g, 1978c) and *EPW* (1978b).

22 For an exhaustive treatment of this whole process, see Jannuzi (1974).

23 For examples of conflicts involving these matters, see *EPW* (1973) Correspondent (1973), Das (1975) and Sinha (1976a and 1976b).

24 On police co-operation with landlords, see Sinha (1975), Das (1975).

25 For support of these points, see also Prasad ((1979).

26 Roth (1979) gives a case study from Bihar with evidence illustrating this point.

27 For an extension of this analysis to the national level, see Blair (1979c).

28 Even the CPI was largely a Bhumihar party in the 1950s and 1960s. See Navneeth (1968); also Heidenreich (1971).

29 The police establishment in Bihar has grown since independence, even taking into account population growth. In 1951 there were about 18,000 policemen in the state, a number which increased to some 33,000 at the beginning of 1961 and 44,000 in 1971. In relative terms there were about 4.8 policemen per 10,000 population in 1951, 7.1 in 1961 and 7.8 in 1971 (Bayley, 1969: 61-4; Government of Bihar, 1975). As of 1961, Bihar had the lowest ratio of police to population of any of the Indian states (Bayley, 1969: 65-7). In recent years the number of police has surely increased, and has been further augmented through infusions of Central Reserve Police in the state as the need arose. Still, it is dwarfed by comparison with the position in the United States, where there were 21.2 police per 10,000 population in 1960, 37.8 in 1970 and 49.3 in 1975. Even in comparison with other Indian states, the police establishment is thin. In the spring of 1979 it was estimated that in Bihar there were 1,104 people for each policeman, as against 943 in Uttar Pradesh, 806 in Madhya Pradesh and 724 in West Bengal. *See Hindustan Times* (1979c).

30 This story has been recounted many times. See for example Jha (1972) and Singh (1975).

31 Daroga Prasad Raj a Yadav, was the longest in office of these Backward Chief Ministers (cf Table 5). The other Backwards were all in power for less than 8 months.

32 In early January 1979, the Assembly rejected a no-confidence motion in the Thakur government by 215-76 votes. Obviously, the Forward MLAs in the Janata party must have supported the Chief Miniser for the most part, despite the many Forward machinations against him both within and without the Janata Legislature party.

33 See, for instance, Arun Sinha's series of articles (Sinha, 1977b, 1977c, 1977d, 1977e, 1977f, 1978a, 1978b, 1978d).

34 For example, the Harijan atrocities at Belchi (Bhushan, 1977; Sinha, 1977b; Narayan, 1979), Bishrampur (Sinha, 1978b), Pupri (Narayan, 1978) and Bajitpur (*The Times of India*, 1978a, 1978b; *EPW* 1978b; *India Today*, 1978; Sinha, 1978f). At the beginning of 1979 it was reported that 81 Harijans had been killed in incidents of caste violence during the Janata government's term of office (*Searchlight*, 1979). In March 1979 the Bihar government announced it would set up an "armed Harijan volunteer force" in ten "atrocity-prone districts" of the state (*The Times of India*, 1979), but it remains to be seen how effective the measure will be, or whether it will even be seriously implemented at all.

35 *Hindustan Times* (1979d).

36 For instance, *The Statesman Weekly* (1979a); also *Searchlight* (1979b).

37 See Sinha (1978e) and *EPW* (1978a).

38 According to Prasad (1979), the process of land transfer from Forwards to Upper Backwards is already under way.

39 See Grierson (1893), also Stevenson-Moore (1893), For current evidence of the practice, see Lal (1977).

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Bourgeois Politics of the Working Class

V M Dandekar

This article, and the one which appeared last week, are extracted by the author from his R C Dutt Lectures on Political Economy delivered recently at the Centre for Studies in Social Sciences, Calcutta. In his article last week, after reviewing Emmanuel's thesis on unequal exchange in international trade, the author reformulated its main propositions by recasting them in the Sraffa system. In this article he applies these propositions to a domestic economy and elaborates on the form exploitation and class conflict assume under conditions of unequal wages between different sectors and industries. He concludes by bringing out the implications of this for the prospects of a peasant-worker alliance in the Indian economy.

IN spite of its flaws, Arghiri Emmanuel's work must be considered a distinct advance in the analysis of the phenomenon of non-equivalence in exchange implying exploitation through relations of exchange not dissimilar in its essentials to exploitation through relations of production. Ironically, it is also a step backwards from the exposition and analysis of the phenomenon as presented by Rosa Luxemburg and Preobrazhensky. Rosa Luxemburg and Preobrazhensky both had grasped the significance of the phenomenon of unequal exchange as an essential instrument of capitalist accumulation and had seen its operation as pervading the relations between a capitalist and a pre-capitalist economy, whether the two economies were two countries or two sectors of a single national economy. In contrast, Emmanuel sees the relations of unequal exchange as a phenomenon special to the international trade between the developed and the less developed countries so much so that when he sees that the phenomenon in a certain form also prevails within a country, he refuses to recognise it as such. His discomfiture in this respect is similar to the discomfiture of Bettelheim in recognising unequal exchange between rich and poor countries as a relation of exploitation in which the proletariat of the rich countries is a party. Emmanuel hopes to escape his discomfiture by distinguishing two forms of unequal exchange: one characterised by unequal organic composition of capital but equal wages and the other by unequal wages. He would not recognise the first as unequal exchange at all on grounds that it is not exclusive to international trade; that it also prevails within a country. He would recognise only the second form as the genuine form of unequal exchange believing that it is exclusive to international trade relations; that it could not appear within a country. In this, he is sadly mistaken. Wages are different not only between countries; they are also different between sectors of a national economy. Wage differences between the capitalist and pre-capitalist sectors of a developing country are often as wide as the wage differences between a developed country and the capitalist sector of a developing country. Emmanuel notices, indeed he is struck by, the wage differences between the rich and the poor countries; he is unable or unwilling to see similar differences within a country, particularly within a poor country.

The reason is not far to seek. Inequality in wages between rich and poor countries and consequent exploitation of the poor countries by the rich countries through unequal exchange in trade to which the proletariat of the rich countries become a party, undermines the international solidarity of the working class. Emmanuel is willing to sacrifice this, convinced, apparently through bitter experience, that it is no more than an international myth. But recognition of large wage differences within a country, particularly a poor country, with implications of possible exploitative relations between sectors through unequal exchange, undermines or rather alters the entire basis of Marx's theory of exploitation. This, Emmanuel is unwilling to accept. Evidently, Emmanuel is a faithful Marxist in spite of his professions to know the inadequacies of Marxian theory of value and, even more, Marxian theory of wages.

Equalisation of the rate of exploitation, that is the rate of surplus value, throughout the society is essential to support Marx's view of the polarisation of society into two classes, capitalists and workers; different rates of exploitation among different classes of workers are obviously not compatible with this view. Now, equal rate of surplus value requires equal wages and wages are evidently not equal throughout the society. In the alternative, wages should be proportional to the values of different kinds of labour power. This is what Marx postulates it is.

Firstly, Marx recognises that the cost of education and training for different skills may be different. He says: "In order to modify the human organism, so that it may acquire skill and handiness in a given branch of industry, and become labour-power of special kind, a special education and training is requisite, and this, on its part, costs an equivalent in commodities of a greater or less amount. This amount varies according to the more or less complicated character of the labour-power. The expenses of this education (excessively small in the case of ordinary labour-power), enter *pro tanto* into the total value spent in its production."[1]

Secondly, Marx suggests that different kinds of labour can be reduced to units of homogeneous labour called 'human labour in the abstract'. "Productive activity" says Marx, "... is nothing but the expenditure of human labour-power.... qualitatively different productive activities ... are but different modes of expending human labour-power. Of course, this labour-power, which remains the same under all its modifications, must have attained a certain pitch of development before it can be expended in a multiplicity of modes. But the value of a commodity represents human labour in the abstract, the expenditure of human labour in general.... It is the expenditure of simple labour-power, i e, of the labour-power which, on an average, apart from any special development, exists in the organism of every individual. Simple average labour, it is true, varies in character in different countries and at different times, but in a particular society it is given. Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made.... The different proportions in which different sorts of labour are reduced to unskilled labour as their standard, are established by a social process that goes on behind the backs of the producers' and, consequently, appear to be fixed by custom. For

TABLE 1: MANUFACTURING INDUSTRY IN INDIA: 1974-75

	Registered Factory Sector	Unregistered Sector	
		Urban	Rural
Employees (million)	5.6	4.7	10.8
Wage workers (million)	4.4	1.0	0.8
Workers/employees (per cent)	78.6	21.3	7.4
Fixed capital/employee (Rs)	12,100	1,449	601
Value added/employee (Rs)	11,389	2,579	932
Annual wage/wage worker (Rs)	3,831	1,551	822
Annual wage/worker (per cent) Value added/employee	33.6	60.1	88.2

Source: Central Statistical Organisation, Government of India. "Statistics of the Unorganised Sector", Paper submitted to the Fifth Seminar on the Data Base of the Indian Economy, Madras, May 25-36, 1978.

simplicity's sake we shall henceforth account every kind of labour to be unskilled, simple labour; by this we do no more than save ourselves the trouble of making the reduction."[2]

By this device, Marx surely saved himself the trouble of making the reduction; but implicitly he left the reduction to be done by the market for labour. As Morishima notes, "In spite of this formula, Marx assumed every kind of labour to be unskilled, simple labour. However, it is not difficult to revise his value-determination equations so as to allow for different kinds of labour ... This generalisation of Marx's theory of value might seem, at first sight, to give rise to no difficulty, as Marx believed. However, a closer examination enables us to see that it is in conflict with his theory of exploitation, unless conversion ratios are determined to be proportional to the wage rates of the various kinds of labour."[3] The theory of exploitation is Marx's law of the equalisation of the rate of exploitation throughout society and unless different sorts of labour are reduced to the homogeneous abstract human labour in proportion to their wage rates the rate of exploitation is not equalised. "This" says Morishima, "is a serious dilemma from the point of view of Marxian economists, because on the one hand different rates of exploitation among different classes of workers obviously are not compatible with Marx's view of the polarisation society into two classes, capitalists and workers, and on the other, if different sorts of labour are converted into the abstract human labour in proportion to their wages then the resulted value system depends on relative wages and hence Marx's intention of obtaining an intrinsic value system completely independent of markets is not fulfilled. There is no easy way out of this predicament."[4]

Marxists have made strenuous efforts to get out of this predicament. As a specimen, we shall quote Emmanuel:

> Adam Smith, Ricardo, and Marx all had to have recourse to the scale of wages established on the market over a long period in order to be able to reduce, *ex post,* concrete labour to abstract labour. This dependence on the market, which was admitted by writers who declared that it is the conditions of production that determine exchange, and not exchange that determines the conditions of production, has been seen as an inconsistency on their part.
>
> However, the impossibility *in practice* of establishing, *ex ante,* a scale for reducing complex forms of labour to simple labour, and the reference to the market made by Smith and Ricardo, and later by Marx, do not mean that the market determines this reduction, only that it provides confirmation of it... Reducing complex labour to simple labour is not an effect of the market; it results from production carried on with the market in view. It is obvious that without the market there would be neither abstract labour nor value, but that does not mean that these are determined by the market.[5]

This argument clearly cannot be beaten. I shall nevertheless once again invite attention to Morishima's difficulty. If we "simply convert different kinds of labour into unskilled labour in proportion to their wages", says Morishima, "... the values do not satisfy the postulate of independence from the market conditions and may easily fluctuate from period to period as relative wages change."[6] Indeed, Morishima comes to the conclusion: "We conclude by suggesting to the Marxian economists that they ought radically to change their attitude towards the labour theory of value. If it has to determine the amounts of labour which the techniques of production actually adopted in a capitalist economy require, directly or indirectly, in order to produce commodities, it is not a satisfactory theory at all... the value system may be determined negative, indefinite, or even contradictory to the postulate of the uniform rate of exploitation."[7] Morishima's solution is "a Marxian economics without the labour theory of value" which he knows "is unlikely to be accepted by Marxists".[8]

It seems that Marx did not fully grasp the nature of this difficulty. Hence, he simply asserts that there is no practical difficulty in reducing concrete labour to abstract labour or complex labour to simple labour. For instance, he says: "Experience shows that this reduction is constantly being made"[9]; or again, "This reduction appears to be an abstraction, but it is an abstraction which takes place daily in the social process of production."[10]. But, if the reduction of different kinds of labour to abstract labour is to be done simply in proportion to their wages, what is it that is "constantly being made" or "which takes place daily in the social process of production" except that different kinds of labour are paid different wages? That the differences in wages only reflect the relative values of different kinds of labour cannot be verified directly. It is no more than a presumption based on the assumption of perfect competition between different kinds of labour.

In Marx's words: "This [the equalisation of the rate of exploitation] would assume competition among labourers and equalisation through their continual migration from one sphere of production to another." Marx had evidently satisfied himself on this point. He says: "We see at a glance that, in our capitalist society, a given portion of human labour is, in accordance with the varying demand, at one time supplied in the form of tailoring, at another in the form of weaving. This change may possibly not take place without friction, but take place it must."[12]

Emmanuel expands on this as follows: "It would be useless to object", he says, "as several critics of the classical theory have done, that this competition does not in fact exist, because the *existing* hatters cannot transform themselves, at will and at any moment, into joiners, or *vice versa:* the classical writers always said that the competition of the factors is to be understood as a long-term affair. .... The *existing* hatters cannot, of course, change into joiners

Table 2: Prices of Production and Wage Rates at Different Rates of Profit

	w	Pi	Pc	Pw
00.0	0.5	11.8164063	3.90625	2.9296875
0.05	0.375	11.7539006	3.8915094	2.9635341
0.10	0.25	11.6870003	3.8765823	2.9992505
0.15	0.125	11.6153275	3.8614650	3.0369900
0.20	0.00	11.5384615	3.8461538	3.0769231

overnight. On the other hand, however, nobody is born a hatter or a joiner, and at any moment a host of other people are on the point of choosing the trade they will follow."[13]

Sweezy seems to accept mobility of labour even less critically. He says: "Capitalist society is characterised by a degree of labour mobility much greater than prevailed in any previous form of society. Not only do workers change their jobs relatively frequently, but also the stream of new workers entering the labour market is quickly diverted from declining to rising occupations. . . . This is a conclusion which commands universal assent in the modern world; it flows from such common facts of experience that no one would think of denying it."[14]

Probably by 'modern world', Sweezy means Europe and America and in support of his contention he quotes Marx: "The indifference to the particular kind of labour corresponds to a form of society in which individuals pass with ease from one kind of work to another which makes it immaterial to them what particular kind of work may fall to their share. Labour has become here, not only categorically but really, a means of creating wealth in general and is no longer grown together with the individual in one particular destination. This state of affairs has found its highest development in the most modern of bourgeois societies, the United States." Marx adds pointedly: "It is only here that the abstraction of the category 'labour', 'labour in general', labour *sans phrase*, the starting point of modern political economy, becomes realised in practice."[15]

I wonder whether the required conditions are realised in developing countries such as India. Here a large number of persons currently in the labour force were in fact born a hatter, a joiner, a tailor, a weaver or some other, and labour in fact grew with the individuals in particular destinations. The phenomenon is declining but even today governs the choice of occupation of a large majority of the population. Even if we neglect this large majority and confine attention to the small minority which seeks jobs through appropriate modern education, which in principle is accessible to all irrespective of birth, what is the experience? One merely has to look at the number of students seeking admissions to different branches of higher education, how many and who among them secure admissions, and how many and who among the admitted complete the courses successfully — that would be evidence enough of the degree of labour mobility that in fact exists. If we take Marx seriously, we should recognise that we are still very far away from what he called 'labour *sans phrase*, the starting point of modern political economy'.

In the circumstance, if there are reasonable grounds to suppose that near perfect mobility and competition exist between different kinds of labour, we may reasonably suppose that the differences in wages reflect relative values of different kinds of labour. By the same token, if there is strong evidence to show that no such mobility and competition between different kinds of labour exist, there is no guarantee that the differences in wages accord with relative values of different kinds of labour. Further, if institutional obstacles are known to prevent movement of labour in the direction it desires to move, it is evidence that the differences in wages of different kinds of labour are unrelated to their relative values.

So much for the differences in wages of different kinds of labour. There exist, besides, similar differences in wages of labour of the same kind but working in different places, in different industries, and in different enterprises within the same industry. Consider, for instance, a clerk or a peon with given education and experience but located in different places: a primary school, a university, a department of a state government, a department of the Central government, a business house, an industrial house, a public industrial undertaking, a nationalised bank, the Life Insurance Corporation, and many other large and small, private and public, establishments. The large wage differentials between them is evidence of a total absence of competitive labour mobility between them. Absence of labour mobility here does not mean that a clerk from say a university cannot join say a nationalised bank. He certainly can, but only when a vacancy arises; and when a vacancy arises and is advertised, a thousand or may be ten thousand apply, out of which one is selected and given the specified wage while the rest are kept out. More simply it means that a clerk from a school or an unemployed young man cannot go to a nationalised bank, offer himself for a lower salary and displace an existing clerk in the bank. Thus the wage differentials persist and often widen. It is in this sense that there is total absence of pressure of competitive mobility which would level down the wage differentials. Moreover, while competitive mobility between different occupations, that is mobility between different kinds of labour, may improve with the development of capitalism as Marx suggested, inter-industry or inter-enterprise competitive mobility of labour of the same kind may be increasingly difficult with the development of monopoly capitalism and, its counterpart, the trade unionism.

Once absence of competition among labour is admitted as a fact of the situation even within a country, inter-enterprise and inter-industry differences in wages become unconnected with relative values of labour. Instead, differences in labour productivity begin to dominate. The phenomenon is similar to wage differences between countries. Like countries differ in the stages of capitalist development and consequent labour productivities, so different sectors of a national economy differ in the stages of capitalist development and consequent labour productivities. Capitalism does not develop uniformly in all sectors of an economy. The capitalist development differs not only between sectors but also between industries and between enterprises within the same industry. In consequence, labour productivities differ between sectors, between industries, and between enterprises. These differences in labour productivities give rise to differences in wages which are protected by trade unionism and which persist in the absence of competitive labour mobility. This is

TABLE 3: RELATIVE PRICES AT DIFFERENT RATES OF PROFIT, WITH EQUAL WAGES AND UNEQUAL WAGES

Rate of profit (r)	Wage Rate		Price of Iron
	In Iron	In Wheat	Price of Wheat
0.00	1.0	1.0	2.88462
0.05	0.75	0.75	3.06360
0.10	0.50	0.50	3.26442
0.15	0.25	0.25	3.49138
0.20	0.00	0.00	3.75000
0.15	0.50	0.125	3.82462
0.10	1.0	0.25	3.89664
0.05	1.5	0.375	3.96618
0.00	2.0	0.50	4.03333

TABLE 4: SURPLUS VALUE PER UNIT OF LABOUR

r	Equal Wage Rates	Unequal Wage Rates	
	Iron and Wheat Industries	Iron Industry	Wheat Industry
0.20	0.41290324	0.41290324	0.41290324
0.15	0.30967743	0.20645163	0.36129034
0.10	0.20645163	0.0	0.30967743
0.05	0.10322582	−0.20645159	0.25806453
0.00	0.0	−0.41290320	0.20645163

a plausible hypothesis and we should examine the facts.

We shall confine attention to the manufacturing industry so that the labour employed is relatively homogeneous. The manufacturing enterprises in India can be clearly divided into three sectors showing different stages of capitalist development. All enterprises employing 10 or more workers and using power or employing 20 or more workers without power are registered as factories under the Factories Act of 1948. We shall refer to them as the registered factory sector. The remaining enterprises are not registered under the Factories Act. It will be useful to classify them according to whether they are located in an urban area or a rural area. We have thus three sectors of the manufacturing industry: the registered factory sector; the urban unregistered sector; and the rural unregistered sector. Table 1 presents a few relevant figures and ratios for the three sectors relating to 1974-75.

Notice first the difference in the levels of capitalist development in the three sectors on the basis of two characteristics: (a) proportion of wage-workers to all employees, and (b) fixed capital per employee. In the registered factory sector, nearly 80 per cent of all employees are wage-workers and the fixed capital per employee amounts to about Rs 12,000. In the urban unregistered sector, only a little over 20 per cent of the employees are wage-workers; most others are self-employed that is they own the means of production and also work. In this sector, the fixed capital per employee amounts to about Rs 1,500. In the rural unregistered sector, only about 7.5 per cent of the employees are wage-workers; others are self-employed, and the fixed capital per employee is only about Rs 600. It is in this sense that the three sectors show different levels of capitalist development, highest in the registered sector and lowest in the unregistered rural sector.

Because of the large amount of fixed capital associated with the employees in the capitalistically more developed sectors, and also because of a certain amount of capital sunk into their education and training, the labour productivity is higher in the more developed sector. As a rough measure of labour productivity, we may use the value added per employee: It is Rs 11,389 in the registered factory sector; Rs 2,579 in the unregistered urban sector; and only Rs 822 in the unregistered rural sector. The connection between the labour productivity and the wages is evident: the annual wages per wage-worker in the three sectors are: Rs 3,831; Rs 1,551; and Rs 822, respectively.

Thus, the empirical data confirm the fact that the development of capitalism, as indicated by accumulation of capital and expansion of wage-employment, is not uniform in all sectors of a national economy and that, in consequence, labour productivity is different in different sectors; it is higher in the more highly developed sectors than in the less developed sectors. The data also confirm the hypothesis that because of the higher labour productivity in the more highly developed sectors, the wages there are also relatively high.

In these circumstances, all the propositions regarding unequal exchange discussed in the context of international trade relations hold good equally for inter-sectoral relations or more generally internal trade within a national economy. Like there are developed countries with high labour productivity exploiting, through relations of unequal exchange in trade, countries with low labour productivity, there are developed sectors within national economy which exploit through relations of trade, sectors with low labour productivity. The high productivity sectors are not confined necessarily to modern industry; they also include modern agriculture. Similarly, the low productivity sectors are not confined necessarily to agriculture or traditional industry; they include modern small scale industry as well. If we paraphrase Emmanuel, whatever they undertake and whatever they produce, the low productivity sectors always exchange a larger amount of their labour for a smaller amount of labour of the high productivity sector. As a consequence, capital accumulates in the high productivity sectors not entirely by appropriation of surplus value created in these sectors, but also, if not largely, by appropriation of part of the value created in the low productivity sectors. As we have seen, it is not even generally true that the rate of exploitation in the high productivity sectors is higher than that in the low productivity sectors. But whatever it is, considering the wages in the high productivity sectors, the working class in the low productivity sectors suspect that the exploitation in the high productivity sectors must be pleasurable.

To demonstrate that under conditions of unequal wages the relations of unequal exchange obtain not only between entire sectors of a national economy but also between industries or even between enterprises, we shall work out one more numerical example.

In our discussion and numerical illustration of unequal exchange in trade between two economies or countries, we had assumed a uniform wage

TABLE 5: DISTRIBUTION OF SURPLUS VALUE BETWEEN WAGES AND PROFITS AND TRANSFER OF SURPLUS VALUE FROM ONE INDUSTRY TO ANOTHER

	Wages	Profits	Transfers
= 0.20			
Iron	146.77419	190.57073	—87.34492
Coal	146.77419	95.28536	7.94045
Wheat	293.54838	127.04715	79.40007
= 0.15			
Iron	198.38709	143.40374	—91.79083
Coal	172.58064	71.50196	5.91740
Wheat	319.35483	94.77174	85.87342
= 0.00			
Iron	250.00	95.90166	—95.90166
Coal	198.38709	47.69294	3.91997
Wheat	345.16128	62.85702	91.98169
= 0.10			
Iron	301.61290	48.09215	—99.70505
Coal	224.19354	23.85880	1.94766
Wheat	370.96773	31.27488	97.75739
= 0.05			
Iron	353.22580	—	—103.22580
Coal	250.00	—	—
Wheat	396.77419	—	103.22581

ate within each economy, that is, between different industries of an economy. Where we had explicitly considered different wage rates, the wage ates were different as between different economies or countries; but within each economy the wage rate was uniform over all its industries. The ame phenomenon, applied to a single economy, would mean that the economy was divided into several sectors with different labour productivities and consequently different wage rates as between sectors but nevertheless uniform wages over different industries within each sector. We shall now consider an economy in which wage rates are different in different industries.

For this purpose we shall begin with what we have called economy-I. It is Sraffa's numerical example slightly modified with three industries, iron, coal, and wheat, in the standard system with R = 0.20. We have already worked out the Marxian values of the three commodities and also their prices of production at different rates of profit and corresponding wage rates, uniform for all the three industries and all expressed in terms of the net product of the system. Now let us suppose that the wage rates in the three industries are different. In particular, let us suppose that the wage ate in coal industry is two times, and he wage rate in iron industry four imes the wage rate in wheat industry; hat is to say, if w is the wage rate in vheat industry, 2w is the wage rate n coal industry and 4w is the wage ate in iron industry. As before, the vage rates are expressed in terms of he net product of the system and the vages are in addition to the subsistence being 400 units of wheat for the entire labour.

Table 2 gives prices of production and the wage rates at different rates of profit. It will be noted that the wage rates w for different rates of profits r are the wage rates in wheat industry. At any given rate of profit, the wage rate in coal industry is 2w and in iron industry is 4w. if we now compare these prices and wages with the prices and wages when the wage rate was assumed uniform in all industries, it will be noticed that at all the rates of profit the wage rate and prices of production of coal are the same in the two cases. This is accidental to the particular numerical example but it will help us to concentrate on the other two commodities, iron and wheat, where at any given rate of profit (except when r = R and w = 0), the wage rate and prices are different from those in the previous case. In particular, it will be noted that only when r = R = 0.20 and w = 0 and thus indirectly the wage rate is the same in all the industries, the prices of all the commodities including iron and wheat are the same as before. At all other rates of profit, wage rate in the iron industry is higher than before; and the prices of iron are higher than before. Exactly the opposite is true of the wheat industry. There the wage rate is lower than before and also the prices are lower than before. Clearly, the terms of trade between iron and wheat turn in favour of iron and against wheat.

In order to facilitate comparison of relative prices of iron and wheat at different rates of profit in the two cases, namely when the wages in the two industries are equal and are not equal, we may bring together our results in a convenient form as in Table 3. It will be noticed that the above statement is divided into two parts with the case of rate of profit at its maximum r = R = 0.20 and w = 0 in the middle. In the upper half, the wage rates are the same in all industries and in particular in iron and wheat industry. In the lower half, the wage rates in the three industries are not equal; in particular, the wage rate in iron industry is four times that in wheat industry. In the upper half, the profit rate is shown to increase from r = 0 to its maximum r = 0.20 with consequent decline in the wage rate from w = 1.0 to w = 0 in both the industries. In the lower half, the profit rate is shown to decline from its maximum r = 0.20 to r = 0 with rise in the wage rate from 0 to 2.0 in iron industry and from 0 to 0.5 in wheat industry. In the last column is shown the ratio of iron price to wheat price; in other words the terms of trade between iron and wheat.

Let us first consider the upper half. Here with r = 0 and w = 1 in all industries, the ratio of price of iron to price of wheat is 2.88462; as we have seen, in this case the prices are proportional to Marxian values so that no unequal exchange is implied. As the rate of profit is raised from 0 to 0.05, 0.10, 0.15 and finally to its maximum 0.20, the terms of trade turn in favour of iron and against wheat clearly involving unequal exchange. At r = 0.20 and w = 0, the price ratio of iron to wheat is 3.75. In all these cases, as the wage rate is the same in both the industries, the workers in the iron industry do not participate and gain by the unequal exchange; only the capitalists of the iron industry gain.

In the lower half, beginning with r = 0.20 and w = 0, the rate of profit is lowered to 0.15, 0.10, 0.05 and finally to 0 with wages rising from 0 to 2.0 in iron industry and from 0 to 0.50 in wheat industry, the wage rate in iron industry being in each case four times that in wheat industry. The striking result is that the terms of trade deteriorate further against wheat even while the rate of profit is lowered, until at r = 0, the price ratio of iron to wheat reaches 4.03333. This deterioration in the terms of trade against wheat is clearly not due to the capitalists either in the iron or the wheat industry acquiring larger profits; it is entirely due to the wage differential

between iron and wheat industries and one must infer that it is the workers in the iron industry who gain in the process.

The process of exploitation of the workers in wheat industry by the workers in the iron industry may be seen even more directly if we compare the wage rates in the two industries, at any given rate of profit. Thus at r = 0, the wage rate would be 1.0 if it was uniform in all the industries; with unequal wages, the wage rate is 2.0 in iron industry and 0.5 in wheat industry. Similarly, with r = 0.10, the wage rate would be 0.50 if it was uniform in all the industries; with unequal wages, it is 1.0 in iron industry and 0.25 in wheat industry. At any given rate of profit, the wage rate in iron industry is double and the wage rate in wheat industry is only half of what the wage rate would be if it was equal in all the industries. The conclusion is inescapable that the higher wage in iron industry is secured not at the cost of capitalists in that industry or capitalists in general but at the expense of workers in the wheat industry. In other words, the workers in the iron industry become party to and responsible for the exploitation of workers in the wheat industry.

This does not mean that the workers in the iron industry are not themselves exploited by their own capitalists. One may be exploited and one may exploit others in turn. Nevertheless, it may be instructive to find out the rates of exploitation, that is, the rates of surplus value in iron and wheat industries at different rates of profit. For reasons which will be obvious from the results, rather than working out rates of surplus value we shall simply find out the surplus value per unit of labour in iron and wheat industries when the wages are equal and when they are not equal.

To do this, we should first find v's that is, the Marxian values of wages received by workers in the two industries at different rates of profit and in the two cases when wages in the two industries are equal and are not equal. The wages received consist of two parts; subsistence equivalent to 400 units of wheat for 1000 units of labour, that is 0.4 units of wheat per unit of labour; and a share w in the net product of the system which consists of 40 iron, 60 coal, and 100 wheat. As we have already shown, the Marxian values of the three commodities in the present case are: 1_i = 4.233871; 1_c = 1.6129032; and 1_w = 1.4677419. Hence the value of subsistence per unit of labour is 0.58709676 while the value of net product of the system is 412.903222. Hence the value of the wage will be given by 0.58709676 + 412.903222 w. The surplus 's' per unit of labour will be given (1 — v). These results are as in Table 4.

Thus, as the rate of profit is reduced from its maximum r = 0.20, wages are improved and surplus value per unit of labour declines in both the industries whether the wages in the two industries are equal or are not equal. But at any given rate of profit, except when r = 0.20 and w = 0, the surplus per unit of labour in iron industry is smaller and that in wheat industry is larger when wages in the two industries are not equal than when the wages are equal. At r = 0.10, there is no surplus and hence no exploitation in iron industry; it is the surplus in wheat industry and exploitation of workers there which pays for the profits in that industry as also in iron industry. At r = 0.05, the surplus in iron industry is negative; hence workers in that industry not only are not exploited but actually become exploiters. It is the surplus in wheat industry which pays not only for profits of both the industries but also part of the wages of the workers in iron industry. The workers in iron industry join hands with the capitalists and become a party to the exploitation of workers in wheat industry. Finally, when the rate of profit r = 0, iron industry has even a larger negative surplus. There are no profits, and hence, the surplus in the wheat industry pays the excess wages in the iron industry. It will be noted that the units of labour in the wheat industry are double that in the iron industry and hence the surplus in the wheat industry is exactly enough to pay the excess wages in iron industry. In the absence profits, the workers in iron industry are the sole exploiters of the workers in wheat industry.

To make clear how, under conditions of unequal wage rates between different industries, the surplus value in one industry is transferred to another industry in order to pay not only part of the profits but also part of the wages in that industry, we shall present below how, at different rates of profit, the net output of each industry is distributed between profits and wages. All figures are in terms of Marxian values. It should be noted that the value of the net output of each industry is equal to the quantum of live labour or direct labour employed in that industry; in the present case, this is 250 for iron, 250 for coal and 500 for wheat. The net output of each industry is distributed between wages and profits. We have already presented the value of wages per unit of labour at different rates of profit. These are to be multiplied by the quantum of labour in each industry to obtain the value of wages in each industry. The balance of the net output is the surplus value created in the industry. It will be noted that the profit in an industry is not equal to its own surplus value; if the profit in each industry were to be equal to its surplus value, the rate of profit would be different in different industries. Profit rate is equalised between industries by pooling the

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urplus value of all the industries and istributing it in proportion to the eans of production in each industry. his distribution has to be done in roportion to the prices of the means f production of each industry and ot in proportion to Maxian values f the means of production as Marx id. Finally, it may be noted that hile the surplus value has to be so istributed between industries in roportion to the prices of their eans of production, the rate of rofit cannot be derived by relating he surplus value to the price of the eans of production; for this purpose, he surplus value must also be valued t its price of production. The results howing how at different rates of rofit, the net output of each indus- ry is distributed between wages and rofits and also partly transferred etween industries are presented in Table 5.

It may be noted that a positive ransfer means that surplus value is ransferred from that industry to ther industries while a negative trans- fer means that surplus value is trans- ferred to that industry from other industries. It will be seen from the column of transfers that only small amounts of surplus value are trans- ferred from coal industry to other industries; and that large amounts of surplus value are transferred from wheat industry to iron industry. The quantum of transfers increases as the rate of profit is reduced from its maximum r = 0.20 to 0.15, 0.10, 0.05, and finally to 0. At r = 0.20 and r = 0.15 the surplus value transferred to iron industry is smaller than the profits in that industry; thus at these rates of profit, the profits in iron industry are paid partly by expropriat- ing its own surplus value and partly the surplus value of other industries notably of wheat industry. Such transfers through unequal exchange between industries would take place even if wages were uniform in all the industries. With unequal wages, as the profit rate is reduced, though the profits in iron industry, as in other industries, become smaller, the wages in iron industry rise and the surplus value there decline much faster. In consequence, as the rate of profit is reduced, the profits in iron industry are paid less and less by ex- propriating its own surplus value and more and more by expropriating the surplus value of other industries. At r = 0.10, there is no surplus value in iron industry and the entire profits there are paid by expropriation of surplus value from other industries primarily from wheat industry. At r = 0.05, the wages in iron industry exceed the net output of that indus- try and surplus value is negative. Hence, surplus value is transferred into iron industry not only for pay- ment of profits but also for payment of excess wages in that industry. Finally, at r = 0, there are no pro- fits, and the entire transfer of surplus value from wheat to iron industry occurs only to maintain the high wages in iron industry.

On a liberal interpretation, one might say that so long as the transfer of surplus value into an industry is smaller than its profits, the transfer may be deemed to take place only for equalisation of the rate of profit between industries. Such is the case at rates of profit equal to or higher than 0.10. In these cases, it might be said that it is only the capitalists of the iron industry who expropriate, besides the surplus value of their own labour, the surplus value in other in- dustries. While this may be conceded, we should note that, because of unequal wages between iron and wheat industries, the transfer of sur- plus value from wheat industry to iron industry, at any given rate of profit, is much larger than it would otherwise be. Hence, even at rates of profit equal to or higher than 0.10, a part of the transfer of surplus value from wheat to iron industry takes place in order to maintain wages differential in iron industry. The phe- nomenon now latent surfaces at rates of profit below 0.10. At these rates of profit, the wages in iron industry exceed the net output of that industry and the surplus value is negative. Surplus value is transferred from other industries to pay, besides pro- fits, the excess wages in iron industry. In these cases, the workers in the iron industry join hands with their capitalists and become a party to the process of exploitation implied in the transfer of surplus value from the wheat industry. Finally, at r = 0, there are no profits and no capitalists; the workers in iron industry are wholly responsible for the exploitation of workers in wheat industry.

This case where the workers in iron industry are seen clearly to exploit workers in wheat industry meets even the conditions laid down by Bettelheim in order to admit such a phenomenon. As already noted, in the context of Emmanuel's formulation regarding ex- ploitation of poor countries by rich countries, Bettelheim says: "... this formulation leads to making the *pro- letariat* of the rich countries 'appear' to be 'exploiters' of the poor ones. These proletarians must therefore have ceased to be exploited themselves, which must mean that *their labour is no longer a source of surplus value.* In reality, these workers are, in gene- ral, more exploited (in the strict sense of the word) than the workers in the poor countries."[16] We have already demonstrated, by a numerical example, that Bettelheim is not correct in his latter assertion; that it is not true that the workers in the higher labour-productivity countries are, in general, more exploited than the workers in the lower labour productivity countries. Within a national economy with unequal wages between industries, our numerical examples make clear that it is equally not true that the workers in high productivity high wage industries are, in general, exploited more than the workers in the low productivity low wage indus- tries. In fact, the evidence is exactly to the contrary. The rate of exploita- tion, that is the rate of surplus value, in the high productivity high wage industries is not only often lower than the same in the low productivity low wage industries, but can in fact be negative. With sufficiently large wage differentials between industries, at certain rates of profits uniform to all industries, the surplus value in high productivity high wage industries is in fact negative; the workers there cease to be exploited themselves; their labour is no longer a source of sur- plus value. They join hands with the capitalists and become a party to the process of exploitation of workers in low productivity low wage industries fully on conditions of Bettelheim.

Such is the form the phenomenon of exploitation assumes when wage rate is not equal in all industries. Marx missed this phenomenon because he concealed the inequality in wages by his device of reducing different kinds of concrete labour into abstract labour in proportion to the wages they re- ceive; if wage rate in coal industry is two times and the wage rate in iron industry four times the wage rate in wheat industry, Marx would say that one unit of labour in coal industry is equal to two units of labour in wheat industry and one unit of labour in iron industry is equal to four units of

labour in wheat industry. Having thus reduced different kinds of labour to homogeneous labour by reduction ratios proportional to wage rates and having assumed wage rate per unit of homogeneous labour to be uniform throughout the economy Marx eliminated, in fact concealed, the phenomenon of exploitation of workers in one industry by workers in other industry. Had he recognised it, it would have fundamentally affected his vision of the polarisation of the society into two classes, capitalists and workers, the former exploiting the latter.

We deviated from Marx in two respects. Firstly, we adopted Sraffa's approach wherein the wage is allowed to have, besides the element of subsistence, a share of the surplus product, though it should be noted that even in the Sraffa system, labour is homogeneous and wage is uniform throughout the economy. But the approach helped us to compare two economies, whether two countries or two sectors of a national economy, with different labour productivities and show that equalisation of rate of profit between the two necessarily involved unequal wage rates and consequent 'unequal exchange' in the strict sense of Emmanuel. The second deviation is letting the wage rate be different between different industries of a single economy. This enabled us to see the phenomenon of transfer of surplus value from one industry to another not only for equalisation of the rate of profit between industries but also to maintain the wage differentials between them. Finally, we should add that in spite of these deviations, we have kept to the value accounting system of Marx, of course duly corrected. The phenomenon of surplus value and its transfer from one industry to another cannot be revealed without value accounting. The price accounting system only reveals the division of the surplus product between profits and wages but it does not reveal any transfers from one industry to another. The equations of prices of production ensure that the net output of each industry valued in terms of prices is exactly adequate to pay the profits and wages in that industry. In fact, one may say that the prices of production are so determined as to conceal any inter-industry transfers in value terms.

Let us sum up. The phenomenon of exploitation is not confined to the production process and hence to the relations of production between the capitalists and the workers within each industry or enterprise as some Marxists, reading Marx too narrowly, would like to believe. Even within a pure capitalist system, that is a system with 'general and exclusive domination of capitalist production', the phenomenon of exploitation spills over an enterprise or an industry and spreads over the whole system so that the capitalists as a class are seen to exploit the workers as a class. This is generally admitted but without seeing its full implications namely that, in this process, if the capitalists of one industry exploit the workers in other industries, this can happen only through relations of exchange and not relations of production; the process of exploitation is extended to the relations of exchange and takes the form of unequal exchange between the products of the several industries. If by the side of the capitalist system sits a pre-capitalist system, the process of exploitation extends to the pre-capitalist system as well and through the same relations of unequal exchange. In fact, what we have is a hierarchy of sectors at different stages or levels of capitalist development, one more highly developed than another, lying below them all, the pre-capitalist sector. The sector with a more highly developed capitalism has in general more fixed capital per worker, resulting in higher productivity of labour, and consequent higher wages. The differences in labour productivity in different sectors underlie the relations of 'unequal' or 'non-equivalent' exchange between the sectors; unequal wages accentuate these relations further. As a result, capital accumulates faster in the more highly developed sectors not entirely by the appropriation of surplus value in these sectors; indeed, as we have seen, in the high wage sectors, the surplus value is very small or even negative. Hence, capital accumulates in these sectors not entirely through appropriation of surplus value in these sectors but at least partly, often largely, and sometimes entirely, through the appropriation of surplus value created in the less developed sectors; in other words, by exploitation of the less developed sectors. The greater accumulation of capital in the more highly developed sectors results in further increases in labour productivity and consequent higher wages in these sectors, accelerating the process of capital accumulation in the more developed sectors through exploitation of the less developed sectors; a process to which the working class in the more developed sectors becomes a party, undermining the working class unity.

It is not without reason that the bourgeoisie has readily conceded the right of collective bargaining not only for the working class as a whole but for workers industry by industry or in fact enterprise by enterprise. As a result, the division of surplus value is left to bilateral bargaining between the bourgeoisie and the workers in each enterprise. This is being paraded as the victory of the working class. In fact, it has been a victory of the bourgeoisie. It has undermined the working class unity and made a mockery of the class struggle.

The workers in the the more highly developed and economically more crucial sectors have a clear vested interest in the principle and practice of bilateral bargaining. Thereby, they are able to secure higher wages; firstly because there is relatively larger surplus value to share; secondly because the workers in these sectors possess superior bargaining powers which power improves with every increase in wages they secure; and, thirdly because, in these sectors, the bourgeoisie in the private sector or the State in the public sector, enjoy greater monopoly power and hence are able to enforce more easily an unequal exchange on the less developed sectors. The workers in these sectors are either deliberately losing their eyes to the fact or do not seem to care that bilateral bargaining amounts to joining hands with the bourgeoisie for splitting the gains of exploitation of the less developed sectors. The bourgeoisie is not unhappy. It has not only allowed but actually encouraged the working class movement to degenerate into such pure trade-unionism which Lenin described precisely as the *"bourgeois politics* of the working class."[17]

Trade unionism aims at no more than an economic struggle for securing for the workers a share in the surplus value in the respective industries or enterprises. It is oblivious of the fact that such fragmented, sectoral struggles carried on independently in the several industries or enterprises results in inter-industry and inter-enterprise exploitation to which the workers become a party; that, in the process, the capitalistically more developed and trade-unionwise better

ganised sectors exploit the less veloped and less organised sectors. is essential to counter and halt this ocess lest, as inter-industry and inter-terprise disparities widen, it will evitably endanger even the formal nity of the working classes. Above l, the process results in the entire pitalist organised sector exploiting the e-capitalist, unorganised, predominitly rural, farming sector. The truth n no longer be concealed. The asant is becoming aware of it; it will only bourgeois politics to keep the orker ignorant about it.

If the workers are to forge an allice with the peasants and remain in e vanguard of the class struggle, the orking class movement must break t of the narrow confines of tradeionism. This is what Lenin said: ... *However much we may try* to 'lend the economic struggle itself a political character' *we shall never be able* to develop the political consciousness of the workers (to the level of Social-Democratic political consciousness) by keeping within the framework of economic struggle, for *that framework is too narrow.* ... it pointedly expresses the basic error that all the Economists commit, namely their conviction that it is possible to develop the class political consciousness of the workers *from within*, so to speak, their economic struggle. ... Such a view is radically wrong.

Class political consciousness can be brought to the workers *only from without*, that is, only from outside of the economic struggle, from outside of the sphere of relations between workers and employers. The sphere from which alone it is possible to obtain this knowledge is the sphere of relationships of *all* classes and strata to the state and the government, the sphere of the interrelations between all classes.[18]

This requires a programme wide ough to involve all classes. I sugst the ennunciation of a wages and come policy ensuring guaranteed nployment at a certain subsistence age to all who are willing to work, cognition of differential skills within lerable limits of inequality, a ceiling dividends on private capital, and a mmitment to maximising accumulan of capital in public hands. The gitimate role of the trade unions en should be to watch the enforcent of these conditions throughout e economy.

Notes

he full text of the author's three C Dutt Lectures will be published by e Centre for Studies in Social Scien-s, Calcutta, under the title "Peasant-orker Alliance: Its Basis in the Indian conomy".]

1 Karl Marx, "Capital: A Critical Analysis of Capitalist Production", Volume I, Foreign Languages Publishing House, Moscow, p 172.
2 *Ibid*, p 44.
3 Michio Morishima, "Marx's Economics: A Dual Theory of Value and Growth", Cambridge University Press, London, 1973, pp 190-193.
4 *Ibid*, pp 180-181.
5 Arghiri Emmanuel, "Unequal Exchange: A Study of the Imperialism of Trade", Monthly Review Press, New York and London, 1972, pp 4-5.
6 Michio Morishima, *op cit*, p 193.
7 *Ibid*, p 193.
8 *Ibid* p 181.
9 Karl Marx, *op cit*, p 44.
10 Karl Marx, "Contribution to the Critique of Poliitcal Economy", Chicago, 1904, pp 24.
11 Karl Marx, "Capital", Volume III, Moscow, p 172.
12 Karl Marx, "Capital", Volume I, Moscow, pp 43-44.
13 Arghiri Emmanuel, *op cit*, pp 8-9.
14 Paul M Sweezy, "Theory of Capitalist Development", Dennis Dobson, London, 1946, pp 30-32.
15 Karl Marx, "Contribution to the Critique of Political Economy", Chicago, 1904, p 299.
16 Charles Bettelheim, "Theoretical Comments", in Appendix I to Arghiri Emmanuel, *op cit*, pp 301-302.
17 V I Lenin, "What Is to Be Done?' in "Selected Works", Volume 1, Progress Publishers, Moscow, 1976, p 156.
18 *Ibid*, pp 152-153.

Explaining Price Behaviour

Rejoinder

Santi K Chakrabarti

D M NACHANE reviewed my book "The Behaviour of Prices in India, 1952-1970" in this journal (June 23, 1979). I am naturally happy that in Nachane's view the book contains "a deep study of the market and other institutional forces operating in the Indian economy" and "is one of the few worthwhile attempts to explore a complex economic phenomenon *via* a large-scale econometric model". However, Nachane also says that he has "serious misgivings about certain aspects of the model" and goes on to elaborate on these misgivings. It may be useful to make a few observations on the points raised by Nachane.

(1) The relative price of cereals used in the model was defined as the price index of cereals deflated by the price index of manufactured products. Two other possible deflating series discussed in the book are (a) the general price index and (b) the working class cost of living index, both of which were present elsewhere in the model. Three reasons were mentioned in the book for preferring the manufacturing price index as the deflating series to either of the other two. Nachane considers only one of these as worthy of serious consideration (though he does not explain why the other two can be dismissed as unimportant), *viz*, that the relative price so obtained is a better indicator of the real income of farmers. Nachane is of the view that this relative price would be a good indicator of the real income of farmers if they "spent a substantial portion of their income on manufactures". He then quotes from a paper by Mellor and Lele to show that "agriculturists with holdings of less than 5 acres spent about 60 per cent of their income on agricultural commodities and only 40 per cent on non-agricultural commodities". The share of income spent on manufactures increases somewhat with the size of holdings. "These facts", argues Nachane, "cast considerable doubt on the suitability of the pirce index of manufactures as a deflator."

I would make two points in reply to this.

(i) The percentage shares relevant in this context are not shares of total income (or output) of agriculturists, but of the portion of their output that enters into market exchange.

(ii) Consider a two-good economy — an agricultural good X and a non-agricultural good Y. The real income of producers of X can be represented in this case by the classroom device of the budget line, whose position and slope are completely determined by the output of X and the relative price of X in terms of Y, irrespective of the fraction of this income spent on Y (provided only that this fraction is not zero). Though the model of the book is not exactly a two-sector model, it is such a concept of sectoral real income

that underlies the present argument.

(2) Nachane then turns to "a more serious anomaly" in the formulation of the model. Non-agricultural real income was taken as the income variable in the equation for market-sector demand for cereals. Nachane quotes some data which show that about 40 per cent of income from agriculture consists of production of non-cereal agricultural commodities. The model, he argues, leaves out the demand for cereals from this section of the populace, as a consequence of which "the empirical reliability of the model is reduced considerably".

Here again, I would like to make two points in reply.

(i) The percentages quoted by Nachane are not relevant in the present context. This is because those who grow predominantly cereals may use part of their gross acreage for the cultivation of non-cereal agricultural products and *vice versa*. Data in this regard are hard to come by, but I think it will be generally agreed that complete specialisation of agricultural households in the production of particular crops is the unimportant exception in India.

(ii) It may have escaped Nachane's notice that there is some discussion of this point in the book (Appendix to chapter II, p 179) where it is recognised that there is not only this question of the producers of non-cereals, but also the question of small cultivators and agricultural labourers who may be net purchasers in the cereals market. On the other side, there is also the possibility that a portion of income from small enterprises which is included in non-agricultural income may actually accrue to cereal-cultivators. It was also pointed out there that any bias in the definition and measurement of income would not affect estimates of the relevant *elasticities* if the bias were a more or less stable fraction of the 'true' value.

(3) Nachane then turns to the discussion of speculative activities of traders. He gives a longish quotation from the book (pp 38-39) and continues: "The argument is sought to be buttressed with a mathematical model but is again liable to leave the reader with a lot of lingering doubts. (i) What, for example, is the rationale of assuming that the price elasticity of demand for cereals is constant especially in times of acute shortages, when speculative activity is likely to be most pronounced? (ii) Again, what is one to make of a statement like the following one (p 39 footnote): 'If prices are expected to rise later, this is an additional reason why the monopolist trader will try to sell more earlier than later' unless the statement is a misprint? (iii) And, finally, has the public distribution system contributed in any way to the mitigation of the speculative pressures? (iv) I think Chakrabarti's analysis in this regard is fallacious and misleading. (v) The issue of speculation in foodgrains really cannot be discussed in the context of an annual aggregative model of the type developed in the book."

I have inserted the numbers (i), (ii), etc, in the above quotation for ease of reference in replying to the points made. It will be convenient to take the more important of them in the reverse order, beginning with (v).

(v) I was fully aware of this. To quote from p 38: "The issue [of speculative withholding of stocks from the market in times of high and rising prices] relates primarily to the seasonal distribution of sales and price within a year, and may not, therefore, be of much relevance in the context of an annual model". The reasons why the issue was at all raised, nevertheless, were that (a) it is a very widely discussed issue in the context of behaviour of prices of cereals and other 'sensitive' commodities and (b) some small relevance may arise from the fact that the time-unit of the model is the calendar year which is not synchronous with the agricultural year.

(iii) This issue was not discussed and could not be discussed within the limits of the annual aggregative model.

(ii) The book does contain many misprints. However, there is no misprint in the sentence quoted by Nachane, although it reads a little like a paradox. Perhaps Nachane has not cared to take in the argument of the footnote, which is essentially very simple. If the elasticity of demand for cereals is constant and less than unity, monopoly sellers can increase their revenue by restricting supply and the more the restriction, the higher the revenue (in the notation of the footnote, $R = AQ^{1+\alpha}$ is a decreasing function of Q if $(1 + \alpha)$ is negative). A possible future rise in price will be reflected in this representation in a rise in A for the second season, which implies an increase in the addition to total revenue resulting from any given restriction of Q. The traders therefore will have a greater incentive to restrict the future Q, i e, try to sell less (rather than more) in the later season.

(i) I agree that the assumption of constant elasticity is restrictive and explicitly pointed out in the footnote that "the assumed constant elasticity of demand can hold only within a narrow range of price (and quantity) variation". It may be useful to add that while the assumption of constant elasticity makes the algebra simple and the conclusion unequivocal, the more important assumption underlying the argument is that the elasticity is less than unity, an assumption that is seldom questioned. The main answer to the puzzle of the footnote, of course, is that there is no actual monopoly of trade in foodgrains.

Finally, I should add that I considered this little algebraic argument to be primarily of academic interest in the context of the book (there being no discussion of seasonal variations in price and no actual monopoly of trading in foodgrains). This explains why the discussion was cryptic and limited in scope and was relegated to a brief footnote.

(4) In the remainder of the review, the only major criticism made by Nachane is that the analysis is aggregative in character. This, however, is an acknowledged limitation of the study.

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Editor Krishna Raj
Associate Editor Rajani X Desai
Assistant Editor M S Prabhakar
Editorial Staff
K Vijayakumar, A A Dalvi
Manager J K Thakkar
Advertisement Manager R Venkiteswaran

To What Purpose?

ONE of the first acts of the new government has been to formally decide upon the extension of the reservation of seats in Parliament and state legislatures for the scheduled castes, scheduled tribes and Anglo Indians for another ten years. This was entirely expected; the fact that the constitutional provision allowing for such reservation lapses next week to a large extent dictated the timing of the Lok Sabha polls; and the fact that the necessary legislation, when passed, needs to be ratified by the states might yet save many state assemblies from being dissolved, though at the same time their being 'taken over' by the Congress(I) cannot be ruled out.

There is little doubt that the coming Constitution amendment will be passed, and not merely because the ruling party has an overwhelming majority in Parliament. The measure has always received overwhelming support from all sections cutting across regional, party, religious and caste affiliations.

Nevertheless, it is necessary to raise the question whether the provision has actually helped the people whom the scheduled caste and scheduled tribe legislators are supposed to represent or whether it has only served to create a thin crust of elite in these communities. It is true that a SC/ST legislator would certainly want to transcend his narrow base and attain acceptance as a 'national' leader; Jagjivan Ram is not the only politician who gets annoyed at being described as a 'harijan leader'. A study published in this paper sometime ago (September 16, 1978) showed that while as a rule the non-SC/ST legislators reflected a social background different from that of the majority of the people whom they represented, such a contradiction was less evident in the case of the scheduled caste members, but only of the earlier Lok Sabhas; and over a period, these members too began to acquire all the characteristics of the general members — triumphantly underlining the essential homogeneity of the Indian political elite.

This is perhaps as it should be; part of the process of 'democratisation' is the upward mobility not merely of the 'people', but also of their representatives. However, even allowing for the fact that a person belonging to the scheduled castes or scheduled tribes does; by definition, move upwards merely by the fact of his becoming a member of parliament or of the state legislature, what is relevant in his presumed role as the representative of his people — notwithstanding whatever larger and entirely legitimate ambitions he might have to serve the whole people, and not merely his constituency — is that he continues to articulate their concerns even in the midst of his larger 'national' concerns.

Viewed thus, have the scheduled caste and scheduled tribe members of parliament and state legislatures fulfilled their charges? It appears that it is not merely in the popular mind that a legislator, be he an upper caste Indian or a member of SC/ST, is by definition remote from the concerns that in theory animated him to seeking public service; the elite character and general remoteness from issues that seriously affect their own support bases comes through in any analysis of the participation of SC/ST legislators in debates over legislation of particular relevance to their constituencies.

This brings us to the basic question regarding the provision of reservation of seats to the SC/ST in legislatures : To what purpose? One can quite understand the virtual unanimity on this question among the legislators themselves, for there is great *esprit de corps* among our parliamentarians. It is true that any move to withdraw this provision would receive the most enthusiastic support from the more reactionary sections of the population; and withdrawal of these provisions will certainly not contribute positively to the welfare of these sections. But one has also to take note that the provision itself has not significantly helped the actual people whom the SC/ST legislators are supposed to represent.

Indeed, in the whole policy of reservation of seats in legislatures for the SC/ST population (unlike corresponding provisions for reservation in jobs, educational institutions, etc), there is a fundamental contradiction that has yet to be resolved. The career of Jagjivan Ram, a most durable and gifted politician, is in this contest instructive. It is no secret that the Janata leader strongly resents being described as 'a harijan leader', and has made conscious efforts to cultivate a larger, 'national' constituency. But at the same time, this spreading himself out in the national pastures has itself been facilitated by the solid support he does (or did) enjoy among the scheduled castes. But neither his influential position in successive governments since before Independence not his stature as a 'national' leader has exactly helped the scheduled castes; and his alienation from his own constituency has not helped him either

in his ambition to achieve the highest political position in the country; instead, that sectional base itself appears to have been undermined. In the recent Lok Sabha elections, the Janata party under the leadership of Jagjivan Ram could win only one reserved seat in the whole of Bihar and UP which after all is his home base — that contested by Jagjivan Ram himself.

The reservation of seats in legislature for the deprived sections of society thus poses some quite unusual problems. By definition, these reservations are intended to benefit only a thin crust of elite among these people, even if in the early stages of the implementation of this policy the people who benefited did not belong to this elite. Unlike in the policy of reservation of jobs and educational opportunities, the elite created is not even one which can regenerate and expand in course of time, except in the narrowest sense of the term. The participation of this elite in the parliamentary ritual concerning the problems faced by the SC/ST has not been satisfactory, and indeed the ambition of this elite is to escape from what it considers the constricting environs of its origins and seek broader political pastures. How to ensure that the scheduled caste and scheduled tribe legislators will continue to be responsive to the needs of their constituencies, and at the same time make it possible for them to also transcend the limitations implied in their being representatives from 'reserved' constituencies without however being completely alienated from their support bases — this has not been resolved in the thirty years during which the reservation policy has been in operation.

Assam

Turn for Worse

THE situation in Assam, unsettled now for months, appears to have taken a turn for the worse (if that were possible) in the new year and parts of the state are now officially declared 'disturbed areas' under the provisions of the Armed Forces (Special Powers) Act, 1958.

The year began with a call given by the All Assam Students Union (AASU) and the All Assam Gana Sangram Parishad (AAGSP), who continue nominally to lead the agitation, for a 58-hour bundh, ostensibly to frustrate the holding of the elections for the Lok Sabha in the two constituencies in Cachar district, though past experience has repeatedly shown that what goes under the name of 'popular demand' in the Brahmaputra valley has seldom the same meaning in Cachar. Since then, there have been further picketings and mass courting of arrests, incidents of violence giving rise to counter-violence, curfew, declaration of vast areas of north Kamrup as 'disturbed areas' and the deployment of the armed forces to restore 'law and order', and the inevitable atrocities against the civilian population. The kind of constant tension that till now characterised the life of ordinary citizens in such 'peripheral' areas as Mizoram or Nagaland is also being experienced by the people of Assam.

Clearly, the expectation that with the demand for the postponement of elections being substantially conceded, the agitation in Assam would subside has been belied. Instead, the agitation has taken on new dimensions, the most significant of which has been the picketing of oil installations with a view to preventing crude being taken out of the state to the refinery at Barauni which refines the bulk of the crude from the oilfields in Assam. For more than three weeks now, the transportation of crude oil to Barauni has remained paralysed. Along with this, there have also come into existence a spate of 'sangram parishads' all over the state. With both the proclaimed aims (detection and expulsion of 'foreigners') and the actual aims (a larger and more assured share of the jobs, contracts, educational opportunities, etc) not exactly attainable within the realm of possibility, the continuation and even further intensification of the agitation is almost certain.

That the almost foolhardy adventurist confrontations characterising the successive 'phases' of the agitation have provided just the excuse for the further strengthening of the repressive machinery already available to the state has been tellingly demonstrated in some of the recent developments. Neither the riots in areas of north Kamrup (far surpassing in scale similar disturbances on earlier occasions, as in the Goreswar area in 1960) in which officially about 35 persons have been killed, but in which, according to unofficial reports, over a hundred have been killed, nor the move by the authorities to control the situation by declaring the whole area as a 'disturbed area' could have been entirely unanticipated by the organisers of the agitation; nor, for that matter, the extremely unpleasant connotations of such a declaration like arrests without warrant, flag marches, collective fines and atrocities against civilians. The army has now been 'derequisitioned', after being deployed for almost a week, but is still standing by. More importantly, the 'disturbed areas' declaration still stands, and there is every possibility that if the situation does not come under control, the whole state might be declared a 'disturbed area'. In the process, this exploitation of the genuine apprehensions of the Assamese people about being reduced to a minority in their own state by stirring up sectarian and communal passions has greatly weakened whatever little advance the working people of the state had made in recent times by coming together in defence of common causes.

In the face of such intensification of mutually confrontationist postures in the northeast, it is deplorable that Indira Gandhi has chosen to tackle the situation in a thoroughly partisan manner. The least the prime minister could have done was to call an all-party meeting, including the leaders of the agitation who had boycotted the earlier all-party meet called by Charan Singh, but who, now that the elections are a thing of the past, might be more inclined to attend. Instead, the prime minister has chosen to send two of her most dependable operators to go to Assam to 'study the situation'. Going by past examples of the uses to which her emissaries like Yashpal Kapoor have been put, it is on the cards that the purpose of the 'fact-finding' mission is actually to find out if the Congress (I) can form a government in the state. It is true that the situation in Assam might be less intractable if the state is under a popular government; but the Congress (I) does not fit the bill to head such a government, for it was the Congress under Indira Gandhi that created the conditions for the present aggravation of the problem in Assam.

The Economy

Doubts about Savings-Investment Boom

THE Reserve Bank of India's latest Report on Currency and Finance for 1978-79 has yielded the startling revelation that the rates of savings and investment had exceeded 20 per cent of net domestic product in 1978-79. The official estimates of national income, saving and investment are, of course, those of the Central Statistical Organisation (CSO), but they are available only with a considerable delay. We only have the CSO's quick estimates for 1977-78 till now. The Re-

erve Bank's attempts to estimate saving and investment are, therefore, welcome. However, some aspects of the Reserve Bank's estimates and their interpretation leave room for serious doubt.

In the estimate of saving, the doubts arise largely because of the nature of the estimate of the household sector's saving in the form of physical assets. According to the Reserve Bank's estimate, the rise in savings in 1978-79 took place only in the household sector. Of the other two sectors, savings in the public sector declined from Rs 3,641 crores in 1977-78 (4.4 per cent of NNP at market prices) to Rs 3,443 crores (4 per cent of NNP). Similarly, savings of the domestic corporate sector as a proportion of NNP remained static at 0.3 per cent (Rs 283 crores in 1977-78 and Rs 301 crores in 1978-79). The household sector's savings, however, showed an increase of 13.7 per cent from Rs 11,945 crores (14.5 per cent of NNP) in 1977-78 to Rs 13,583 crores (15.7 per cent) in 1978-79. These savings were almost evenly divided between physical assets (Rs 6,909 crores) and financial assets (Rs 6,674 crores).

The estimate of the household sector's savings in the form of physical assets has been arrived at on the assumption that the proportion of such savings to NNP at market prices remained at the same level in 1978-79 as in the previous year, i e, at 8.0 per cent of NNP. Past experience, however, suggests that there is little justification for making such an assumption. The CSO makes a more systematic attempt at arriving at the physical investment of the household sector as a 'residual' in the commodity flow chart. The figure so arrived at shows vast fluctuations in the ratio of the household sector's investment in physical assets to NNP from year to year. Though the ratio has been rising, it hovered around 4 to 5 per cent in the first half of the seventies. Thereafter, it is shown to have risen to 8 per cent in 1977-78 and 1978-79 on account of better statistical coverage. Physical asset formation by the household sector is largely linked to the state of farm incomes. In the past this ratio has fluctuated from year to year depending on this factor. The credibility of the claim of a 1.2 percentage point increase in the savings ratio of the household sector, from 14.5 per cent to 15.7 per cent, hinges on the acceptance of this hypothesis.

Secondly, in regard to savings by the household sector in the form of financial assets, there was a one percentage point rise in currency holdings from 0.8 per cent of NNP at market prices in 1977-78 to 1.8 per cent in 1978-79. As a proportion of savings in the form of financial assets, currency holdings rose from 9.9 per cent in 1977-78 to 17.8 per cent in 1978-79 and in absolute terms from Rs 693 crores to Rs 1,512 crores. Amongst the reasons for the larger currency holdings in 1978-79 were disruption in banking services and repayment of compulsory deposits. It is possible that in the absence of currency holdings, savings would have taken the form of larger bank deposits or claims on government, but not entirely. Such a large increase in currency holdings also reflects the need for larger transaction balances and so it cannot be concluded that there had occurred any increase in saving propensities.

A more basic question relates to the apparent increase, according to the Reserve Bank's estimate, in the investment ratio by 1.6 percentage points from 18.6 per cent in 1977-78 to 20.2 per cent in 1978-79. The facts of the economic situation in 1978-79 militate against acceptance of this claim. For one thing, the rise in the availability, including imports, of investment goods in 1978-79 was substantially lower than that in the previous year. As the Report on Currency and Finance itself point out, output of capital goods industries rose by only 2.7 per cent in 1978 against a rise of 5.5 per cent in 1977 and 10.5 per cent in 1976.

Secondly, the price behaviour in 1977-78 was bound to have distorted the ratio of capital formation as the capital formation figures and figures of NNP are at current prices. During the year, the average General Index of Wholesale Prices (1970-71=100) registered a nominal fall of 0.1 per cent, but the index for machinery and transport equipment rose by 6.2 per cent (against 1.2 per cent in the previous year) and that for basic metals, alloys and metal products rose by 8 per cent (against 1.9 per cent in 1977-78). Hence, if real capital formation figures were related to national income in real terms, the ratio would not have shown the sharp increase of 1.6 percentage points.

The doubts are thus not only about the increase in the investment ratio but also about its level, i e, 20.2 per cent in 1978-79 and 18.6 per cent in 1977-78. According to the CSO's estimate, the ratio of net capital formation at current prices as a proportion of NDP at market prices was 16.6 per cent in 1977-78 and 17.2 per cent in 1976-77. The corresponding ratio at constant prices was only at 15.1 per cent in 1977-78 and 15.7 per cent in 1976-77. The circumstances referred to above suggest that the ratio of capital formation at constant prices is unlikely to have gone up much beyond 15 per cent in 1978-79. This would be so even when capital formation in real terms is related to net national product at base level market prices. It would be wise on the whole not to be euphoric about the suggestion of the Report on Currency and Finance that the economy had touched an investment ratio of over 20 per cent in 1978-79 or that the ratio had shown a sharp rise in that year.

India and Afghanistan

Changed Stance

ON December 28, 1979, the then caretaker Prime Minister Charan Singh stated that according to information received from the Indian embassy in Kabul, Soviet troops had entered Afghanistan on December 24, 1979. Three days later (December 31), the foreign affairs ministry asked the Soviet Union to "pull out from Afghanistan". The same day Indira Gandhi told correspondents that "we do not believe in intervention of any nation in the affairs of another nation". But by January 3 Indira Gandhi was saying that "they [Soviet Union] think the Western presence in Afghanistan was very strong" and that the Soviet action was not a "one-sided affair". On January 10, by when she was Prime Minister designate, she told foreign correspondents that the Soviet action in Afghanistan was an issue "best resolved by Afghanistan itself". By January 12, in the General Assembly debate on the resolution calling for withdrawal of Soviet troops from Afghanistan, the Indian position became crystallised.

Annual Number 1980

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The Indian government disapproved of outside interference in Afghanistan and "blamed" some countries for the recent developments there. The Soviet Union was largely absolved of all blame for its actions. On the contrary, it was stated by the Indian government that "we have no reason to doubt assurances, particularly from a friendly country like Soviet Union, with whom we have such close ties". It was further stated that "the Soviet government has assured our government that its troops went to Afghanistan at the request first made by President Amin on December 26 and repeated by his successor on December 28, 1979".

On the basis of all available evidence, the Indian stand at UN was both incorrect and based on fallacious reasoning. Even according to the external affairs ministry, Soviet troops had started pouring into Afghanistan around December 24, 1979. This also implies that preparations for such movement of armed forces into Afghanistan must have been undertaken many days before. According to newspaper reports, there had been unprecedentedly "busy" troop movement on the Soviet frontier with Afghanistan at the beginning of December. President Amin, in an interview with the Indian defence weekly, *Vikrant*, had said that Soviet "advisors" numbering 1,500 or so had been present in Afghanistan since 1978. It is also known that the Soviet Union had placed "advisors" in the Afghan armed forces fighting the rebels. Therefore, they could not have been invited by Hafizullah Amin on December 26 and in any case it is inconceivable that Amin could have invited them to come and depose and execute him. It is also known that Babrak Karmal was in one of the East European countries (probably Prague, where he had been sent in June 1978 as envoy and where he remained even after his dismissal) and did not reach Kabul till after the execution of Hafizullah Amin.

Such palpable inconsistencies in the Indian government's statement at the UN General Assembly are difficult to explain away. They must be seen as reflecting the switch in the Indian government's stand on Afghanistan with the electoral victory of Indira Gandhi. The overemphasis on the "potential" threat from Pakistan, armed by US, which is being voiced at regular intervals by the Indian government is unconvincing, especially as Pakistan has so far not accepted any US aid, military or other. The large difference in military strength and in defence expenditure between India and Pakistan, in addition to the fact that Pakistan is beset with secessionist national movements in Baluchistan and Sarhad provinces make it doubtful that Pakistan is in any position to undertake any adventure against India. The Pakistani military junta is fully occupied with the problems of the four lakh refugees from Afghanistan, its own national problems, and now the presence of Soviet troops just across the border with Afghanistan.

The about-turn of the government's policy toward the developments in Afghanistan is explicable only if one sees it as part of a shift in the government's global perceptions. Apparently the external affairs ministry takes lightly the questions of Soviet troops in Afghanistan, of possible Soviet moves towards the Persian Gulf and the Arabian Sea and of further escalation of the militarisation of the Indian Ocean as a consequence of the Soviet action in Afghanistan. On the contrary, it seems to see a sinister ploy in the Pakistani appraisal of the threat and instability caused by the Soviet action in Afghanistan, in the Pakistani pleas for joint action *vis-a-vis* Soviet presence in Afghanistan and in Pakistan receiving arms from the US. It may even be that the government sees the Soviet action in Afghanistan and its presence there as enhancing its own prospects of pre-eminence in the South Asian region.

In this connection the statement by the minister for energy and irrigation, A B A Ghani Khan Choudhury, is worth noting. He stated in an interview with reference to the Farakha Pact between India and Bangladesh that "we will not tolerate a situation where Calcutta port has to suffer for the sake of some other country's well-being". He also said that "we still have doubts about the way the agreement was concluded". Coming in the wake of the recent trouble over the "char" land near the Tripura and Bangladesh border and the impending visit of Bangladesh President Ziaur Rahman, this statement is unforunate. After all, it is the building of the barrage by India which reduces and controls the flow of water to north-east Bangladesh. It is all the more disturbing because the Farakka Barrage project was undertaken in view of the failure of the Damodar Valley Corporation, partially to ameliorate the problem of silt accumulation in the Ganges near Calcutta. In fact, according to experts, it has accentuated the problem. But this is in line with the pattern of Indo-Bangladesh relations evolved since the coup against Mujibur Rahman in 1975.

Foreign Policy

How 'Pro-Indian'?

THE British foreign secretary, Lord Carrington, was in Delhi on Wednesday for talks on the recent developments in Afghanistan, its implications for the South Asian region and the world. On the basis of all available accounts, it was not a very successful mission as both sides disagreed on the presence of Soviet troops in Afghanistan, the arming of Pakistan and the increasing instability in the region.

Besides Afghanistan and related matters, the two sides are also reported to have discussed other international and bilateral issues. Indira Gandhi told correspondents after the talks that the stand of the Government of India on Afghanistan was neither "pro-Soviet nor pro-American"; it was "pro-Indian".

This is as it should be; but in view of the wide range of subjects — including those of bilateral interest — discussed and the proclaimed goal of the new government of following "pro-Indian policies", it is revealing that the two sides apparently did not discuss the new racist immigration law passed by the British parliament in December 1979, which discriminates against Indians and other non-white immigrants on grounds of both race and sex.

The silence on this issue by the Indian side becomes all the more revealing in view of some of the promises made in the Congress(I) election manifesto. The Congress(I), its manifesto said, would "take steps to solve the problems faced by the overseas Indians in matters such as citizenship, social assimilation, custom formalities, alleged discrimination...". The new British immigration law sanctions discrimination in precisely these areas. It classifies British citizens into two groups, "those born in UK" and "others", bars the entry of elderly parents of immigrants who have already settled in Britain, as well as those fiancailles "who have not met". The law also gives added authority to the British customs, known for its consistent racial bias, to control the entry of any immigrant. That the new Government of India did not even raise the issue, let alone forcefully convey to the British government of Indian people's strong resentment against such racist laws and regulations, is a pointer to the empty rhetoric about the new government following 'patriotic' and 'pro-Indian' policies.

Land Reform

THIS has reference to the article on land reforms by Ratan Ghosh (November 10, 1979). The author hit the nail on the head when he referred to the need for political commitment to bring structural changes in agrarian relations.

The article makes a mention of setting up of committees of potential beneficiaries in villages to ensure the implementation of existing legislation. Taking the question of committees first, the topmost committee in all the states (probably with the exception of West Bengal and Kerala) is manned by exjamindars or big landholders and retired bureaucrats to whom land reform is an anathema. It is interesting to recall that as recently as in 1950 orders signed by these very bureaucrats were being passed and duly gazetted asking communists released on parole not to preach agrarian reforms.

There is scope for a research scholar to analyse these top committees in the various states to show how much the policy-making bodies are tilted in favour of the landed.

As regards existing legislation, it would be equally fruitful if the various state Acts are critically studied. This would show up the hollowness of so-called land reform implementation. To illustrate, I refer to section 51 of the Orissa Land Reforms Act (Act 16 of 1960). Under this 70 per cent of the surplus land vested in the government has to be settled with persons belonging to the scheduled castes and scheduled tribes in proportion to their respective population in the village in which the land is situated and only the remaining shall be settled among the other castes. The percentage of land to be settled amongst them has to be proportionately increased, in case their population exceeds 70 per cent. A bland reading of this section would look as if the law has taken care of the poorest of the poor. But rule 38 (B) acts as the rider under which the landless have to file applications within a specified period and shall also bear court fee stamps. Thereby what was given with the right hand was taken away by the left hand and the poor scheduled tribes and scheduled castes were thrown into the hands of petition writers and touts. They cannot obtain receipts for the applications they file before the Revenue Officers and this gives scope for manipulation and corruption. If section 51 were to be left as it is, a duty would have been cast on the Revenue Officer to settle 70 per cent of the land on persons belonging to the scheduled castes and tribes. The Revenue Officer could have been easily asked to rely on the census enumerations and electoral rolls to arrive at the percentages and the residential qualifications of the landless. The Revenue Officer would have been compelled to obtain in writing from landless persons who were not willing to accept settlement of land. In my opinion this loophole was left deliberately to facilitate the settlement of land on caste Hindus which in turn gives scope to corruption. When it is remembered that the Union government is giving a grant of Rs 1,000 per hectare to these beneficiaries one can visualise the deprivation involved.

There is another section in the Orissa Land Reforms Act which gives powers to the Revenue Officer to review any order at any time. This is section 60 which I quote it in full:

(1) Any order passed under this Act may, after notice to all persons interested, be reviewed by the officer who made the order or his successor in office on the ground of any clerical mistake or error in course of any proceeding under this Act.

(2) Without prejudice to the provisions of sub-section (1) where the appellate authority, on application filed by the concerned party within two years from the date of finalisation of a statement under sub-section (3) of section 44 or within sixty days from the date of the appallate order, whichever period expires later, is satisfied that any land has been included in such statement in contravention of any provision of this Act, he may modify the order passed by the Revenue Officer under the said section: provided that no such modification shall be made without giving the parties concerned a reasonable opportunity of being heard.

Provided further that no such modification shall be made if (a) an application for revision under section 59 is pending or (b) an order has been passed under that section.

The havoc wrought by this section is too well known to the public and corruption runs riot because of the existence of this section. Many settled facts are unsettled for a consideration by corrupt officials and the power exercised by the Revenue Officers without any time limit under section 60 (1) of the Act is something which may be envied even by their Lordships of the Supreme Court.

KONETI

Cuttack,
January 8.

Death in Police Custody

THE attention of the West Bengal government has been drawn to the item "Trade Unionist's Death in Police Custody" (December 15, 1979). There are several inaccuracies in that item which need to be corrected.

On November 4, 1979 at 10.15 P M Budbud Police Station received the information that a large crowd had gathered in front of Kulamani Samal's house and that a woman had been found in his house presumably for some immoral purpose. The Officer-in-Charge, on reaching the spot found one Chandmani Das, wife of Rameswar Das, in Samal's house. Chandmani stated that Kulamani Samal had enticed her and had raped her. On the basis of this statement Kulamani Samal was arrested and a case under sections 363, 366 and 376 of the Indian Penal Code was started. This being what is known as a 'cognisable' offence, the police did not require any warrant to arrest Samal.

Kulamani Samal was found alive in the police station's lock-up till 1.15 a m on November 5. At 1.45 a m he was not seen in the lock-up. The sentries then opened the lock-up, went to the attached lavatory and found him hanging from an iron angle bracket of the lavatory cistern. It is not true that the height of the ceiling of the lavatory is 5 ft. On the contrary, the height of the bracket from which the deceased hanged himself is 6½ ft from the floor.

An enquiry was held by an executive magistrate on November 6, 1979. The magistrate came to the conclusion that there was no foul play in Samal's death.

The post-mortem examination was conducted on November 5, 1979 by a Medical Officer of the Department of Forensic and State Medicine of the Burdwan Medical College. His unequivocal opinion is that it was a clear case of suicide.

ADHIR CHAKRAVARTY

Press Adviser,
Government of West Bengal,
Calcutta.
January 17.

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (29.12.79)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-76
All Commodities	1000	223.4	0.4	20.5	17.3	−0.1	5.1	2.1	−1.1
Primary Articles	417	209.4	0.9	17.1	15.8	−1.4	9.7	0.8	−6.6
Food Articles	298	190.6	1.1	13.5	12.4	−0.7	11.7	−5.1	−4.9
Non-Food Articles	106	198.8	0.6	15.1	14.3	−4.6	6.1	19.7	−14.6
Fuel, Power, Light and Lubricants	85	295.2	—	20.0	14.2	4.4	1.4	5.3	10.5
Manufactured Products	499	223.0	—	23.4	19.2	0.1	2.2	2.3	1.4

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-76
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1.3
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2.6
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13.9

Money and Banking	Unit	Latest Week (28.12.79)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	23,912	661 (2.8)	2,975 (14.2)	2,054 (9.4)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,237 (10.4)
Net Bank Credit to Government	Rs crores	17,318	479	3,201	1,926	1,921	2,449	910	579
Bank Credit to Commercial Sector	Rs crores	28,845	654	3,769	3,512	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,653	159	523	234	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 4.1.80)	Rs crores	31,138	819 (2.7)	4,960 (18.9)	4,263 (15.9)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	147.5[8]	151.1	147.0	2.8	6.8	5.3	9.8	4.7
Basic Industries **	32.28	166.4[5]	171.5	161.5	6.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	145.8[5]	166.6	157.7	5.6	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	141.7[5]	140.1	131.9	6.2	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	132.0[5]	142.1	142.8	−0.5	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	169.8[5]	159.0	142.5	11.6	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	127.4[5]	140.1	142.9	−2.0	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Oct 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	399	3,372 (13.5)	2,971	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	583	4,396 (21.7)	3,612	6,764 (12.3)	6,025 (18.7)	5,074 (−3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−184	−1,025	−641	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,833 (2.6)
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,172 (−15.8)
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	396 (−23.3)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period.

The Election and After

Romesh Thapar

WE are still in the 'reeling', 'staggering', 'grovelling' phase following the spectacular election triumph of Indira Gandhi and the network that organised the voting. If the so-called wave was only recorded in the sampling of various pre-election polls, it is because actually only some 42 per cent of 55 per cent of the registered voters used their ballots for the Congress(I) and because in certain critical areas like Rajasthan, Haryana, Uttar Pradesh and Bihar the combined Janata-Lok Dal vote continued larger than that of the Congress(I). As other details of the vote are presented, many interesting contradictions will emerge, including the RSS rift with the Janata party in many areas.

This is not to minimise Indira Gandhi's fantastic democratic mandate. A desperate people, looking for effective government, fed up with the incapacities of the Janata party, and horrified by the 'caretaker' dispensation, responded massively to the gutsy, single-minded campaigning of someone who had presided over historic moments in India's search for dignity and self-reliance. If the barren years of 1972-75, when Indira Gandhi was more powerful than today, were forgotten, it only goes to emphasise the lack of alternatives provided by our corrupted continental political process.

Effective government means many things, depending on your point of viewing. To the people casting their ballots for 'The Hand', it obviously conjured up feelings about a more socially secure society, with visible law and order, more or less stable prices and the possibility of housing and jobs. The pitching of high-priced onions against freedom is not in the consciousness of the voter, but effective government can deteriorate to that level. Artificial price reductions without sizeable improvements in productivity, and policing without a reorganised and capable force, and jobs through bogus employment, starts a process of governance by fear which rapidly deteriorates. So far, there is no evidence to suggest that the new power focus of Indira Gandhi and Sanjay Gandhi — or, for that matter, the other stalwarts of 'democratic' politics — have moved beyond the simplistic belief that all that is needed is 'dynamic leadership'.

It is true that even as the results of the election made their first impact in the Capital, the bus drivers began observing the rules of the road, the queues started to form, the police were visible, the hoarders decided to unload their stocks, the strike leaders of a major foreign bank cogitated on what to do, and even gold and silver prices took a dive. Now that we are responding continentally (or so the elections show), I presume these Delhi manifestations are visible in other centres where democratic responsibilities had earlier been cast aside. But, and this is the central question facing us at this moment, can these returned disciplines (fired by fears) be consolidated in effective governance and in the fundamental tackling of the old problems which will surface and compete for attention even before Indira Gandhi has sorted out the alignments of her strange assortment of 'activists'?

I use the word 'activist', but in fact these are the new-style cadres which Sanjay Gandhi has been able to mobilise. It would be a mistake to imagine that the ruling party represents a Congress continuity. Quite the contrary. It is a new party of Indira and Sanjay devotees. The selection of candidates for the election, and the electorate's studied refusal to assess them for what they represented, together with their total dependence on 'the leader', needs to be digested before any serious or revealing analysis can begin. The overwhelming democratic mandate for a party described as 'authoritarian' and 'fascist' creates an extraordinary situation, but a situation not without its parallels elsewhere — witness Argentina and Brazil. Or France, in so many sophisticated ways. We have to shake ourselves free of Anglo-Saxon frameworks of reference, or else we will be indulging in inane 'forgive-and-forget' pleas like so many of our leading editorial writers.

This Indian style revolution, sparked in the early seventies, continues into the eighties. The Indian voter, so long scoffed at by the sophisticates of the West, and East, is returning (admittedly on a split vote) one decisive mandate after another. In 1971, it was for the Congress torn by splits and confusions. In 1977, it was for the coalition alliance known as the Janata party following the torments of Emergency. In 1980, it is for 'the leader'. Time is running out. Significantly, the strongholds of Communism in the East and the South are becoming impregnable to the continental trends. If courage fails to take traditional Indian leadership from the present plateau of political and economic development to the next to launch new thrusts on the persistent problems of poverty and the techniques of management, then the stage could be set for a disastrous polarisation.

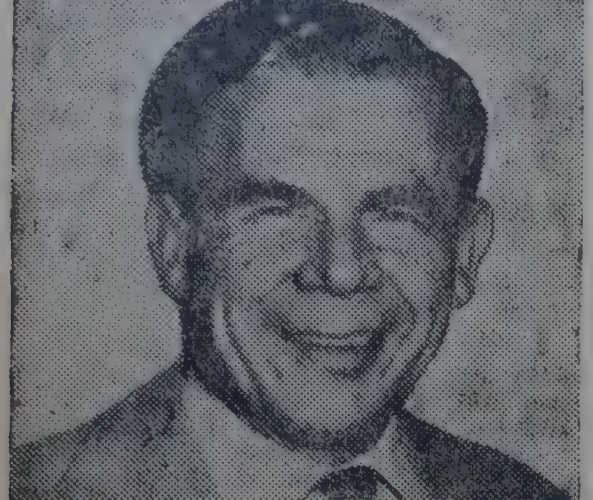
Indira Gandhi's earlier reliance on the bureaucratic machine (civil, military and police) to implement her vague ideas of change has been much reduced by Sanjay Gandhi's demonstration of the power of the mob, or the activists. In any attempt either to establish a more efficient *status quo* or to change the system of decision-making and implementation drastically these two rather antagonistic 'establishments' will be sought to be brought into some kind of orchestration. Will it be acceptable, or will the fears of the critics of what is now the ruling family be reinforced? It would be idle to pretend that the Indian people are unconcerned or over-confident about the prospects. Even those who voted for 'The Hand' feel the touch of fear judging from what is visible in the Capital.

I think it is necessary to remind the politicians to ponder well on the analysis of voting in the recent elections. The distortions are many in systems which are not based on proportional representation. If the mandate is massive, it also represents a profoundly divided India, confused as ever, and becoming more and more impatient. Actions which polarise our complex continental polity, or drive sections to extremist expression, can prove disastrous. Indira Gandhi will now require much greater skill, imagination and determination to manage the kind of critical problems closing in on her — and with an instant election organisation which could disintegrate in the cynical style of the Janata party. After all, in the situation of today, it is not governments alone that mould a political presence.

January 12.

Indian Oxygen Limited

Chairman's Statement



Mr K D MOORE

The following is a slightly abbreviated version of the Statement of Mr K D Moore, Chairman, Indian Oxygen Limited. The full text has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1979.

The past year has seen a general decline in the country's overall economic scene. Widespread failure of monsoon has negatived the growth prospects on the agricultural front. Industrial production too suffered major setbacks, particularly during the second half of the year when some critical sectors have registered negative growth. The failure of the key sectors of power and coal to meet the national need, coupled with declining performance by the railways has led to consequential decline in production of other essential materials such as steel and cement. In turn widespread secondary shortages have appeared and have not only further restricted production throughout the industrial sector as a whole but have also added impetus to the strongly inflationary trends which have emerged this year.

Industry now is faced with rapidly rising costs on practically every front with little prospect in the short term of achieving the increased output which would mitigate pressures on profit margins.

The implications for new investment and effect on working capital requirements are hardly less serious especially in the context of the present credit and interest policies of government.

In my statement last year I anticipated that there might be some recovery in IOL performance during the coming year based upon continuation of the improved rate of industrial growth then being achieved and the hope of a stable industrial relations situation. Unfortunately the first of these factors has not been maintained and there has been some deterioration also in the second although I am glad to say that this has not been a very material factor within IOL itself.

OPERATIONS

The turnover for the year at Rs 52.1 crores was higher than the previous year's figure by Rs 2.2 crores of which Rs 84 lakhs represented increased excise duty. The impact of inadequate power availability on the Company's own operations and on its customers, as also of industrial unrest affecting many customers, was reflected in lower volumetric sales of several major products and near stagnation for most others.

Loss of sales due to power shortage exceeded Rs 3 crores which was a very substantial factor in the 13.6% decline in pretax profits this year. In addition we experienced wide ranging increases in costs, not least of material inputs, of power, of employee remuneration and of distribution, not all of which could be fully offset by pricing action nor by economies and improvements in efficiency.

The activities of our main business segments are dealt with separately below.

Gases

Sales, excluding export, at Rs 27.26 crores were Rs 1.72 crores higher than the previous year's. Sales would have been higher but for the critical power shortages mentioned above. In West Bengal particularly, IOL's own operations, as also those of some of its major customers were very seriously affected resulting in frequent interruptions in production and higher costs.

Growth of liquid nitrogen sales was maintained and was given further boost by introducing new applications, particularly in chemical industries and at Indian Space Research Centre. Special Gases business also continued to grow with further diversification into calibration gases, helium gas mixtures and other specialised products.

In spite of shortfall in production as a result of continued power problems, the supply of medical gases, oxyge and nitrous oxide were maintained a a service to medicine out of all pro portion to our share of productio capacity, and in most places, IOL wa the only supplier.

The programme of modernisation o our plants, distribution equipment an other facilities continued to ensur optimum utilisation of licence capaci ties and to maximise operational effi ciencies.

LOX sales at Rs 1.1 crores wer marginally higher than the previou year's, but suffered from inadequat availability of liquid oxygen due t power shortages.

Welding & Engineering Products

Sales, excluding exports, at Rs 19.4 crores were just over Rs 1 crore highe than the previous year's. Despite un precedented power shortage in Wes Bengal, where the major manufacturin facilities are located, it was possibl to maintain the production and turn over of welding consumables more o less at the previous year's level.

With a view to improving marke coverage, development of further ne products and improvement of existin products has been continuing.

Cryogenic & Process Plant

With the growing needs of indust and also to serve IOL's inhou requirement of plant and equipmer our plant manufacturing activity h been reorganised and a Cryogenic Process Plant Division set up. In th we see an expanding and importa resource which is vital for the futu of IOL's gases business and whic provides opportunities to serve vari industries, BOCI Group compani and export markets. During the ye under review, we received orders f plants from Bangladesh, Zambia a Muscat. One oxygen plant supplied Guinea Bissau in the previous ye has been commissioned successful A team of engineers was also deput to Nigeria for commissioning a 4 m^3/hr oxygen plant.

The order book position continu to be satisfactory.

EXPORTS

Export turnover at Rs 83 lakhs v lower than the previous year's fig by Rs 3 lakhs. The export figure wo have been much higher but for t chaotic port and shipping situati both at Bombay and Calcutta for lo periods during the year. Export of nc IOL products registered an increase

PROFIT, TAXATION & DIVIDEND

The profit for the year before taxation amounted to Rs 273 lakhs against Rs 316 lakhs last year, after providing depreciation of Rs 110 lakhs (previous year Rs 100 lakhs) and interest charges of Rs 103 lakhs (previous year Rs 105 lakhs).

Tax provision for the year amounted to Rs 149 lakhs (previous year Rs 145 lakhs) leaving a net profit of Rs 124 lakhs as against Rs 171 lakhs last year. The tax provision for the year was higher despite the lower profit because of reduced allowances for depreciation and gratuity contribution. After transferring Rs 28 lakhs (previous year Rs 27 lakhs) to Investment Allowance Reserve and bringing back Rs 4 lakhs (previous year Rs 7 lakhs) from Development Rebate Reserve and taking into account Rs 16 lakhs brought forward from the previous year, the amount available for appropriation was Rs 116 lakhs as against Rs 167 lakhs last year. Your directors have decided after careful consideration to transfer Rs 14 lakhs to General Reserve and to recommend payment of dividend at the rate of 10%, subject to deduction of tax, leaving Rs 20 lakhs to be carried forward to next year.

FINANCE & SHARE CAPITAL

In view of the inadequate cash generation from business operations arrangements for additional finance had to be made to meet the inflationary impact on working capital and for capital expenditure on modernisation. After obtaining the consent of the Controller of Capital Issues, it was agreed that the 7% Debenture Stock 1980 would be reissued to the Unit Trust of India for a revised period to 1992 at an interest rate of 11% per annum. The funds amounting to Rs 225 lakhs were received from the Unit Trust of India and the formalities for reissue of the Debenture Stock are being processed. During the year Rs 50 lakhs worth of deposits were repaid on maturity.

The disinvestment of 21,60,440 shares by BOC International Ltd was completed during the year, and their holding now stands at 39.76%.

MANAGEMENT & PERSONNEL

During the year a number of steps were taken to strengthen our organisation and management team. This process continues with particular emphasis now on ensuring that we have adequate and high quality managerial resources to take us forward into the expanding future which we seek for our Company.

Industrial relations climate within the Company was generally satisfactory during the year notwithstanding several minor strikes and go-slows. However, the major issue relating to the employees' demand for revision of pay scales remains unsettled and is still under negotiation.

The Company's efforts towards development of human resources on a continuing basis were further extended so as to include supervisory staff both at the corporate and unit levels. The services of the Company's personnel were made available for varying periods to companies in Malaysia, Nigeria, Zambia and Kenya.

Employee welfare activities continued. The popularity of 'Homes' run by the IOL Staff Holiday Home Association remains high. Encouragement and assistance were extended to employee participation in international, academic,cultural and sports activities. The Fifth All India Athletic Meet was held in Delhi in February 1979 when employees from all over the country participated.

I record my sincere thanks for the efforts and cooperation of all our staff during the year.

DEVELOPMENT & EXPANSION

Increasing emphasis and expenditure is being devoted to establishing development facilities which will widen markets for our products in areas of technological sophistication and it is believed that significant growth opportunities can be created thereby. Similarly the expansion and updating of our cryogenic and chemical plant range is an important objective for us. In both these fields, as in others, the support and assistance of the worldwide BOCI Group of companies continues to be of great value.

My statement last year mentioned our efforts to seek government approval for manufacture of continuous welding consumables and submerged arc welding fluxes. This proposal has recently been referred to the MRTP Commission and we remain hopeful of an ultimately successful outcome. My statement also referred to the rejection of our industrial licence application in respect of a new factory at Barbil, Orissa, for manufacturing liquid oxygen explosives. A strong representation to the Industry Ministry for a review of this decision bore no fruit.

The Company submitted during the year two applications for enhancement of its capacities for nitrogen at Bombay and Madras factories. This enhancement will be through recovery of by-product in the course of manufacture of oxygen. Decisions in respect of these applications are awaited.

It will continue to be the Company's effort to enter into such activities as are reasonably within its technical, marketing, managerial and financial capabilities. A number of expansion and diversification projects are currently being energetically pursued.

SOCIAL CONTRIBUTION

My statement last year referred to IOL participation in a rural development programme under the aegis of The Bengal Chamber of Commerce & Industry in an area not far from Calcutta. This venture has proved very worthwhile and we are continuing to give it active support both financially and through the commitment of people. At the end of the programme there should be a qualitative change in the attitudes and prospects of the people in this area.

The Company continued its usual support to worthwhile causes for relief of the distressed and furtherance of professional and social welfare institutions.

PROSPECTS

The rising rate of inflation and near stagnation in production,coupled with shortages of key inputs including power, would not lend support to much optimism for industry in the immediate future. Given political stability after the forthcoming elections to the Lok Sabha and effective policy decisions and actions to tackle these problems, there may be some recovery later in the year but this will take time to establish itself.

In order to offset the impact of inflationary pressures and to provide a level of return throughout the gases and welding industry as a whole, which will encourage the continuing investment needed for healthy growth, it is essential to achieve higher margins and improved cash generation.

As a supplier to a wide range of manufacturing, constructional and infrastructural industry, the prospects for the Company are inevitably closely linked to the prospects for the industrial sector as a whole. The underlying demand for the Company's products remains strong and the Company possesses the inherent ability to meet it. If there is no further deterioration in the situation, the Company's results for the current year should mark an improvement over the preceding year's level.

Calcutta
29 November 1979

K D MOORE
Chairman

Sharp Edge of Competition

Hansavivek

VAZIR SULTAN TOBACCO has experienced sharp deterioration of margins due to escalation in the cost of raw materials and industrial products and increase in the total duties against which the increase in prices of its brands of cigarettes could be only of modest proportion in view of the competition in the market. Although net sales at Rs 32.60 crores were only marginally lower than the previous year's Rs 32.91 crores, gross profit tumbled to Rs 3.49 crores from Rs 5.43 crores. With the tax liability more than halved, the gap at the 'net' level narrowed leaving a profit after tax of Rs 1.50 crores (Rs 1.80 crores). Total dividend, maintained at 17 per cent, was covered 1.46 times against 1.77 times previously. The management is taking steps to correct this position by improving the company's market share. Exports of traditional and new types of leaf tobacco developed by the company have been satisfactory. Orders booked by overseas buyers are promising and the company expects to increase tobacco exports in the coming years. Bhadrachalam Paperboards, in which the company has invested Rs 1.50 crores, has been in commercial production since October 1 last.

GOODRICKE GROUP's latest published accounts for the year ended June last are not comparable with those of the previous year, which covered only a 6-month period. The company's financial performance during 1978-79, however, has been much better with vastly improved margins despite a severe drought, lower price levels and cost escalation due to inflationary factors. Price levels of tea, both in the world and domestic markets, registered a drop of 17 per cent on an average. The 10 per cent distribution was covered 1.40 times by earnings. Commenting on the current year's prospects, the management points out that outturns continued to be affected by the drought but price levels have recently recorded a substantial increase. Steps are being taken to minimise the effects of drought by providing irrigation facilities in estates through tapping perennial sources of water and development of underground and hill water resources. The policy of bringing more virgin land under tea with the best clonal material, a regular programme of uprooting and replanting of old tea is also being pursued. The company is looking forward to a steady increase in crop in future years. In all development work, full advantage is being taken of the various schemes of assistance offered by the Tea Board and Agricultural Refinance Development Corporation. The company's tea factories produce good quality teas which enjoy a high reputation, both in the domestic and export markets.

WESTERN INDIA ERECTORS, an established company carrying on business as erection and construction engineers in India and abroad, is coming to the market on January 28 with a public issue of 1,92,112 equity shares of Rs 10 each at a premium of Rs 5 per share to raise a part of the finance required for its Rs 2.95 crore dye-intermediate project being set up at Roha, a 'backward' area of Maharashtra. The company has an industrial licence to produce annually 505 tonnes of napthalene based dye-intermediates, which are used in the manufacture of reactive acid and direct dyes. The plant is expected to go into production by the first quarter of 1981. This diversification apart, the company's existing business has good growth potential. Having achieved good success in international markets, the company has planned to set up a joint venture in Saudi Arabia for carrying out specialised business of erection and construction engineering. The company has achieved improved performance from year to year. Its turnover has increased from Rs 2.42 crores in the year ended June 1975 to Rs 8.50 crores in 1978-79 and profit after tax from Rs 12 lakhs to Rs 1,28 crores. It paid a maiden dividend of 12 per cent for 1974-75, increased it to 17.5 per cent in 1976-77 and paid 16 per cent for 1978-79 on an expanded capital after a one-for-one bonus issue. After the rights and public issues, the paid-up capital of the company would go up to Rs 96 lakhs and would be backed by reserves of Rs 250 lakhs.

The Week's Companies (Rs in Lakhs)

	Vazir Sultan		Goodricke Group	
	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-6-79	Last Year 30-6-78
Paid-up capital	603	603	222	—
Reserves	605	557	167	156
Borrowings	80	160	224	97
of which Term borrowings	—	—	60	60
Gross fixed assets	742	679	724	619
Net fixed assets	311	292	617	593
Investments	153	153	4	4
Current liabilities	590	575	1279	1529
Current assets	1413	1450	1268	1389
Stocks	1325	1305	728	673
Book debts	82	135	435	406
Net sales	3260	3291	1805	1110
Other income	25	51	24	9
Raw material costs	2232	2183	351	156
Wages	348	336	901	379
Interest	89	35	13	7
Gross profit (+)/loss(—)	349	543	255	36
Depreciation provision	49	47	69	51
Tax provision	150	314	140	2
Net profit (+)/loss(—)	150	182	46	—17
Development rebate provision	—	—	4	—
Transfer to reserves	48	80	12	—
Dividend				
Amount	P —	—	P —	—
	E 103	103	E 30	—
	P —	—	P —	—
Rate (per cent)	E 17	17	E 10	—
Cover (times)	1.46	1.77	1.40	—
Ratios (per cent)				
Gross profit/sales	10.70	16.50	14.13	3.27
Net profit/capital employed	12.41	15.69	11.82	—
Inventories/sales	40.64	39.65	40.33	60.63
Wages/sales	10.68	10.21	49.86	34.45

NEW DELHI

Caretaker Ministers

B M

IT will be hasty and wrong to make any judgment, positive or negative, about the performance potential of the new government which has only just been installed. Even the Cabinet-making exercise is yet to be completed. But already in the first two weeks of its existence, those who vociferously welcomed the massive electoral voctory of Indira Gandhi and saw in the return of a 'strong and stable' government under her the solution to all the nation's problems — from high prices, law and order to foreign relations — as well as those who were stunned by the voters' verdict are beginning to regain some composure and to perceive matters a little more realistically. There are, however, some tell-tale indicators which are not escaping notice altogether.

There was at first some surprise over the choice of Union ministers by Indira Gandhi. The portfolios allotted to them and the last-minute adjustments in the composition of the council of ministers — the walk-out by Bhagwat Jha Azad because he was nominated a Minister of State rather than a full Cabinet Minister when some others junior to him were elevated to cabinet rank and the induction of Pranab Mukherjee just a few minutes before the swearing in ceremony as Commerce Minister — caused some tongues to wag. It was not expected that any one in the Congress(I) will be foolish enough in the prevailing conditions to show dissent or defiance. The cabinet-making exercise became even more curious when instead of filling up the remaining portfolios, among them such important ones as Industry, Labour, Petroleum and Chemicals and Defence, the Prime Minister chose to defer the matter indefinitely and allot these portfolios as additional changes on a temporary basis to those who had been earlier sworn in as ministers.

There is no ready explanation for the course that has been adopted and the *ad hoc* arrangements made. But there is no escaping the thought that Indira Gandhi was not fully ready for taking up the first job before her when the election results swung so dramatically in her favour. This only lends credence to the idea that Indira Gandhi and her camp were as much surprised by her victory as anybody else. She had obviously no shadow cabinet with her, ready and groomed, to take charge. She had, therefore, to be cautious about selecting her ministers because, though their number is large, spotting of reliable talent among her followers is not an easy matter. Another reason may be that notwithstanding the overwhelming personal authority she enjoys in her party, dissensions and competing claims of individuals and groups have still to be dealt with carefully. Those who invest Indira Gandhi with an uncanny insight into matters political and have unbounded faith in her leadership qualities and style, have, of course, another set of explanations. According to them, this is part of her style to keep the initiative in the government and the party fully in her own hands and under her complete control. She is, therefore, putting the ministers she has appointed so far on probation while other aspirants to office in her party will have to wait and watch in expectation of a call to enter the stage when it suits their leader's convenience. It is suggested that this is her way, after having lifted her followers from out of the wilderness to dizzy heights of success single-handed, of beating the Congress(I) into the shape she desires it to be as a ruling party with a long innings ahead.

How far such considerations and explanations are valid is a moot point. But the upshot is that purposeful and effective government, one of the campaign slogans which is believed to have swayed the electorate, to tackle accumulated problems cannot be expected for some more time to come. To saddle Venkataraman, when his hands will be full with the making of the budget, with additional charge of the Industry portfolio and the Tourism Minister with the sensitive Labour portfolio will not carry much credibility and will not help industry and labour to know where they stand and overcome their misgivings. To expect P C Sethi to look after, on a purely temporary basis, the Petroleum and Chemicals portfolio in addition to his substantive charge of Works and Housing and Pranab Mukherjee, the Commerce Minister, to take care of Steel and Mines can also be hardly reassuring. In fact, as a wag put it, we have passed on from the regime of a caretaker government with all its consequences for as long as six months to a position where we will have to put up indefinitely with caretaker ministers. It cannot be expected that the caretaker ministers will be able to take any policy initiatives or bring about any coherence in the implementation of policies. It is natural that the new ministers would approach their jobs rather gingerly in these circumstances. How far and quickly the position will be rectified is difficult to say — some say not till the budget session of Parliament. Again, reports are that the new government may not present a full budget on the last day of February and will make do with a vote on account. It is significant in this context also to note that the portfolios which have been placed under extended temporary charge are the ones requiring the most pressing attention — Industry, Labour, Petroleum and Chemicals and Defence. In respect of Energy, which is an equally important charge, again, it has been tagged to Irrigation, in addition to Coal which will be a temporary charge for the concerned minister. These arrangements are hardly satisfactory.

It is inevitable that in such conditions the responses of the new government and its ministers should not only be tentative but merely populist. The dominant consideration seems to be the possibility of fresh elections being ordered for several of the state assemblies — the pros and cons of such a move are presumably being considered. The populist style being adopted to meet this contingency is evident from the fact that the Railway Minister has been worried about nothing so much as the restarting of some passenger trains and the introduction of halts by long distance fast trains at some particular stations which for technical or economic reasons had been given up. The first worry of the Agriculture Minister is to find power to give to farms even if it becomes necessary to cut power to industry and that too during daytime to suit the convenience of the farmer running his tube-well and pump set. Also bothering him is how to find more diesel for the agricultural sector. To cap it all is the report that he would like to "tone up" the Agricultural Prices Commission in order to secure "remunerative prices" for the

farmer. This is very relevant to the decision soon to be taken on the procurement price for rabi which had been deferred by the caretaker government because it was divided on whether to give a higher price than recommended by the APC. The APC, it might be pointed out, is already loaded with so-called representatives of farm interests and dutifully recommended a small increase in procurement price over that of last year much against the advice of the Planning Commission. Rao Birendra Singh is obviously keen to prove that he is a bigger and better champion of the farmer than even Charan Singh. Of a piece with this is the first open declaration of the Irrigation and Energy Minister from West Bengal that the Farakka agreement with Bangladesh would be reopened in order to secure the needs of the Calcutta port. The only issue on which a stern stand is still favoured, and may even be taken, is the need for disciplining labour to run the critical coal, railway and steel 'infrastructure'. The question is: will the big stick against the worker become the starting point of spurring the 'infrastructure' to better performance?

MONEY AND BANKING

Slow Down in Money Expansion

THE pace of monetary expansion decelerated in November 1979 to a rate lower than that recorded in November 1978 or in October 1979. The growth in M_1 was nominal at 0.5 per cent, compared with 1.5 per cent in the same month of 1978 or 2 per cent in October 1979. The entire rise in M_1 during the month was accounted for solely by deposit money, with currency actually recording a contraction. The principal reason for the small increase in money stock was that net foreign exchange assets declined sharply by Rs 147 crores, contrasting with a sizeable rise of Rs 260 crores in November 1978. Another contributory factor was that bank lending to the commercial sector, which had been buoyant so far with an average monthly growth of Rs 325 crores, expanded by a relatively lower amount of Rs 200 crores. On the other hand, net bank credit to government rose by Rs 296 crores as against a decline of Rs 74 crores last year. About two-thirds of the increase was on account of government indebtedness to the Reserve Bank.

On a financial year basis, the data upto end-November indicates some slowing down in the pace of monetary expansion. Between end-March and end-November 1979, M_1 showed an expansion of Rs 1,270 crores or 5.8 per cent, which was lower than the expansion in the comparable period of 1978-79, both in absolute and relative terms. Yet another noteworthy feature is that whereas in 1978-79 currency had the preponderant share of 60 per cent in monetary expansion (reflecting the importance of bank credit to government sector and foreign exchange assets as the contributing factors), in the current fiscal year deposit money has accounted for about 61 per cent of total expansion, indicating the impact of bank credit to the commercial sector. Bank credit to the commercial sector continued to be the principal source of change in M_1 with a rise of Rs 2,771 crores (including participation certificates). Non-food credit rose by as much as Rs 2,200 crores; in April-November 1978 the rise had been Rs 1,800 crores. The increase in bank credit to the government sector — a broad measure of deficit financing — at Rs 1,446 crores has been more than twice the amount in the corresponding period of 1978-79. Of this, credit extended by commercial and co-operative banks had the larger share of Rs 825 crores. The impact of inflow of foreign exchange on M_1 was limited to Rs 75 crores, which was only about one-tenth of the accretion in April-November 1978.

The growth in bank's deposits at Rs 3,122 crores was about Rs 300 crores higher in April-November 1978 than in the corrosponding period of 1978-79, but the rate of growth of 11.6 per cent was lower than the 12.8 per cent achieved in 1978-79. The lower growth rate could be attributed to time deposits, the rise in which was slower both in absolute amount and in percentage terms. There do not appear to be any special factors operating against growth of time deposits in the current economic environment. Presumably, the slow down could be on account of certain statistical factors arising from the new method of classification of savings deposits into demand and time liabilities, which have affected the base level outstandings and caused some distortions. Banks' borrowings from the Reserve Bank were up by Rs 148 crores whereas in 1978-79 they had shown a decline of Rs 76 crores. The investment-deposit ratio at 3.3 per cent was almost the same as a year ago; however, on an incremental basis larger amounts of deposits were invested in government and other approved securities. The credit-deposit ratio which since end-July 1979 has been consistently higher than that for the corresponding periods of 1978-79, stood at 66.7 per cent as of November 1979, a shade higher than in November 1978 (66 per cent).

TABLE

	Variations During			
	November		Financial Year	
	1978	1979	1978-79 (upto end-November)	1979-80
M_1 Money supply (1 + 2)	+ 329	+ 110	+ 1372	+ 120
	(+ 1.6)	(+ 0.5)	(+ 7.4)	(+ 5.8)
(1) Currency with the public	+ 107	— 40	+ 820	+ 500
	(+ 1.1)	(— 0.4)	(+ 9.5)	(+ 4.9)
(2) Demand deposits with banks	+ 222	+ 150	+ 552	+ 770
	(+ 2.2)	(+ 1.2)	(+ 5.0)	(+ 7.0)
Net bank credit to government sector	— 74	+ 296	+ 665	+ 1,446
RBI's net credit to government sector	+ 37	+ 187	+ 291	+ 621
Bank credit to commercial sector	+ 345	+ 200	+ 2,198	+ 2,771
Net foreign exchange assets of banking sector	+ 260	— 147	+ 656	+ 75

North: After the Rout

Amarjit Chandan

THE complete rout in the recent Lok Sabha poll of the so-called left democratic front comprising the CPI, CPI (M), Lok Dal and communal forces like Janata and Akali Dal was not perhaps anticipated even by the leaders of these incohesive and divided political parties. An unknown Akali candidate, whose only qualification is that he is the son of the late Mohan Singh Tur, defeated G S Dhillon, former Lok Sabha Speaker, by a narrow margin, mainly by because of the CPI(M) mobilisation, hectic campaign by Sant Longowal and open hostility of the Kairon family to the Congress (I) candidate. All the other 12 seats were grabbed by the Congress(I). The CPI(M) which had one seat (Phillaur Reserved), thanks to the Janata in 1977, lost it to the Congress (I). A student leader of the CPI who contested from Bhatinda also lost because of the infighting in Akali Dal and shrewd tactics of the CPI (M). The CPI's share of vote went up from 15 per cent to 19 per cent in Bhatinda; but the CPI (M)'s share of vote shrank from 4.95 per cent to 2.74 per cent in Phillaur. The Akalis were put to the worst-ever rout in the Malwa region (which, paradoxically, is also known as the red belt); among the losers was Surjit Singh Barnala, former Union Agriculture Minister. The Janata could not win in any assembly segment of three parliament constituencies in Punjab and it could get a lead in only 13 out of 46 assembly segments in Haryana.

The role of the two parliamentary communist parties has been most opportunistic. The CPI(M) leader, Sardar Harkishan Singh Surjit, a known mentor of Parkash Singh Badal and Devi Lal, had categorically stated in October last that if the Akalis opted for an adjustment with the 'communalist Janata' his party could have no truck with the Akalis. But only two months later, Harkishan Singh was trying to persuade (in vain) Jagdev Singh Talwandi to leave the Amritsar and Gurdaspur seats to the Janata. Later the pro-Janata Badal-Longowal line prevailed in the Akali Dal and as per the directive of the three member panel headed by Sant Longowal and appointed by the 'Supreme Temporal authority of the Holy Akal Takhat', three seats (Amritsar, Gurdaspur and Jullundur) were left to the Janata to win urban mercantile Hindu votes. The panel also directed the Akalis to give whole-hearted support to the CPI (M) candidate from Phillaur. The grateful CPI (M) reciprocated by supporting the Akali candidates at Sangrur, Patiala, Ropar, Faridkot, Ludhiana and Tarn Taran. The CPI was left in the lurch at Bhatinda and directed its sympathisers to vote 'independently', especially at Amritsar, where the CPI cadres canvassed for the Congress (I) candidates. Congress(I) was able to secure a lead of over 29,000 votes in Chhehrata segment which is a stronghold of the CPI leader Satya Pal Dang, a protagonist of left unity. In Jullundur the Talwandi group worked hard for the Congress(I) to thwart the victory of Badal's Janata candidate Sarup Singh. Talwandi himself was seen addressing public meetings from the same platform as Badal because Akali Dal's political survival was at its stake.

Now that the rout is complete, the Badal and Talwandi groups are blaming each other for the debacle. The resignation of J S Brar, minister for co-operation and a close associate of Talwandi, from the state cabinet in protest against the "difficult, corrupt and feudal chief minister" has triggered off the anticipated crisis.

The State Committee of the CPI(M) has held the Lok Dal-Congress (U) government for the "unfortunate return of the authoritarian forces". But it is silent on the performance of the Akali-Janata coalition in the state. On the other hand the state secretary of the CPI Avtar Singh Malhotra has said that the victory of the Congress(I) in Punjab was the "direct result of fiasco of Badal's economic policies", and that the Akali-Janata rule had alienated urban poor and middle classes by their anti-people policies. The Congress (I), the CPI, the Talwandi group and another rival group of the Akali Dal are demanding that Badal should quit as he was after all a party to the Centre's decision in 1977 to dismiss the Congress-run state governments in the North. But Badal sees no danger to his government and has maintained that the Congress (I) victory is a mandate against the non-performance of the Central government and not against the state government. The CPI (M) is silent on this issue.

In case Indira Gandhi allows the state government to function till the coming Rajya Sabha polls, it is almost certain that Badal will invite the Janata men to rejoin his cabinet. Sant Longowal has resigned from the Vice-Presidentship of the Shriomani Gurdwara Prabhandak Committee (SGPC). The election of the Akali Dal president is due and the Sant would be a potent threat to Talwandi who is at present the President.

The electoral alliances in Haryana were not as complex as those in Punjab. Charan Singh and Jagjivan Ram were projected as the Kisan leader and the messiah of Harijans respectively and Jats and Harijans were mobilised. But the turn-out was rather less when compared to the 1977 poll. Obviously, in the case of the Jats, it was more concentration of votes rather than mobilisation. The Lok Dal's ally, CPI(M), with its few pockets of influence, was a party to this phenomenon. Bhajan Lal, the Janata Chief Minister, has made a courtesy call on Indira to congratulate her. It is possible that Bhajan Lal who has withdrawn the cases against Bansi Lal may cross over to Congress(I) with his loyal followers. The present finance minister Balwant Tayal who was defeated by Bansi Lal is also talking of unity of all old Congressites in the state. After all, when voting has become a civic duty political differences do not matter.

Primary Commodity Prices

PRIMARY COMMODITY prices rose 16 per cent in terms of US dollars and 13 per cent in terms of SDRs in 1979. The increase in real commodity prices was, however, under 5 per cent, and real prices were no higher in 1979 than in 1970. Metals recorded the sharpest price gain (30 per cent) in 1979. Increases for individual metals ranged from 17 per cent for aluminium to 82 per cent for lead. The price of copper, which carries the major weight in the group, rose 44 per cent from 1978 to 1979. For the food category, the price index rose 14 per cent in 1979. The sharpest increases were for copra (43 per cent), beef (35 per cent), wheat (25 per cent), and sugar (22 per cent). Prices declined only for groundnut oils, fish meal, and rice. For agricultural raw materials, the index rose 22 per cent in 1979, with the sharpest increases for hides (54 per cent), sisal (44 per cent), natural rubber (28 per cent), and wood (21 per cent).

ELECTIONS—II

Jana Sangh Stronghold Stormed

Mithun

THE Congress(I) has pulled off a spectacular victory in Madhya Pradesh, avenging its humiliating defeat in 1977. The victory in MP also marks the return of the group associated with the Emergency — V C Shukla and other followers of Sanjay Gandhi such as Kamalnath, the political industrialist of Calcutta, Gufran-e-Azam, Rameshwar Nikhara and Pratap Bhanu Sharma. The rout of the ruling Janata party is almost total with the number of its seats dropping from 37 to a mere four and its vote from 58 per cent in 1977 to 30 per cent. The Congress(I) tally has risen from a solitary seat in 1977 to 35 seats out of the total of 40. Its share in the vote has increased from 32 per cent to 45 per cent. One seat has gone to the former ruler of Rewa, Martand Singh, who fought as an independent supported by the Congress(I). He won by a record margin of 3.38 lakh votes, defeating Yamunaprasad Shastri of the Janata to whom he had lost the seat by about 7,000 votes in 1977.

The extent of the Janata's rout can be gauged from the fact it trailed behind Congress(I) nominees in as many as 255 of the 320 assembly segments. In six segments, Lok Dal nominee led over both Congress(I) and Janata candidates. The Janata rout was complete in Chhatisgarh, Vindhya Pradesh and Mahakoshal. In the Madhya Bharat region, considered its citadel, it retained four of the 15 seats but got mauled very badly losing such strongholds as Morena, Bhind, Guna, Sagar, Khargone, Dhar and Vidisha. Even the state Janata chief, Kushabhau Thakre, considered number three in the RSS hierarchy in the country, was trounced by a little-known Congress(I) nominee in Khandwa.

The Lok Dal, which had seven representatives in the dissolved House, trailed a poor third as expected. Only five of its thirty candidates could save their deposits.

The spectacular victory of the Congress(I) astounded all the pollsters and political pundits — as the Janata party's showing had done in 1977 — who had predicted a fifty-fifty split of seats in MP. Even the Congress(I) leaders had not expected to win more than 25 seats. Was not MP always a stronghold of the Jana Sangh, which had won 11 seats even at the height of Indira-wave in 1971? Was not the Jana Sangh organisation well-entrenched in the semi-feudal Madhya Bharat region? Had not the Janata party consolidated its base during the last three years of its rule? Was not the Janata compaign very well-organised and systematic? Was not the Congress(I) organisation in a shambles, ridden by in-fighting? All true, and yet the Congress(I) came back.

Ever since 1977 there have been indications that the Janata had lost its hold over the electorate and the Congress(I) had gradually recovered. In the 1977 assembly elections barely three months after the Lok Sabha polls, the Congress bagged 84 out of 320 seats, even though in the parliamentary poll it had led in only 22 assembly segments. The elections to village panchayats and janpad bodies that followed were also closely fought.

The Janata leaders are now trying to shift the blame for their debacle on the in-fighting in the party. But the Congress(I), though out of power, also suffered from the same drawback. For instance, it had to change its candidates more than once under pressure from factional leaders. As for resources, both the parties were equally flush with them. The Janata also cannot claim that the split in the party harmed it; the split of votes between the Lok Dal and the Janata helped the Congress(I) to bag only five seats in MP. As for the local factors, they simply did not count; it was a vote for or against Indira Gandhi. For instance, in the Chhattisgarh region, all the political parties declared their support to the demand for a separate Chattisgarh to appease the voters; and yet, the messiah of the separatist movement, Pawan Diwan, the bare-bodied saint-poet who had resigned from the Saklecha cabinet only a month ago, was himself defeated.

The Janata party had pinned its hopes on the rural development schemes launched by the state government during the past two years. But it failed to cut much ice among the rural poor because most of the benefits of the schemes were cornered by the rich farmers. The problems of bonded labour and rural indebtedness were not even touched during the last three years of Janata raj. In fact, moneys earmarked in the state budget for rehabilitation of bonded labourers kept lapsing year after year.

Similarly, the Janata regime miserably failed on the price front. Not a single action was taken against hoarding or profiteering. The reasons are obvious; the Jana Sangh in MP is basically a party of shopkeepers and traders.

The most deplorable aspect of the election results in MP has been the return of the princely influence which has been greatly weakened in 1977 when the Janata party swept the polls despite the opposition of Scindia and Rewa Houses, the two princely families which matter in state politics. This time the Scindia house was divided with the mother supporting the Janata and the son remaining with the Congress(I). Four of the five princes who were in the fray belonged to the Congress(I).

Not that the Janata or, for that matter, other parties did not try. In the case of Madhavrao Scindia, the 'wayward' son of Rajmata Vijaya Raje Scindia of Gwalior, both the Janata party and the Congress(I) left the Guna seat vacant for about a month to lure him. The Congress declared that it would not set up candidates against the princes of Gwalior and Rewa because they were backed by the united Congress in 1977 election. Whether the ex-rulers are still a force in their former estates or no, the fact is that all the political parties have been begging for their support.

Mysore Cements

MYSORE CEMENTS expects to receive shortly a 'letter of intent' from government for installation of an asbestos cement sheet plant with capacity of 36,000 tonnes per annum, instead of 18,000 tonnes sanctioned earlier. The plant is proposed to be set up in Mysore-Belgola industrial area. The company has also taken up a programme of rehabilitating and modernising its cement plant, which is now 20 years old, by obtaining a soft loan of Rs 4.28 crores from financial institutions. The programme is expected to be completed by the end of 1981 and will help increase production by about 20 per cent.

ELECTIONS—III

Uttar Pradesh: Rigging in Practice

Anil Coomar Maheshwari

JANUARY 3 and 6 were two ignoble days in the election history of western Uttar Pradesh when all norms of 'free and fair' polling were deliberately trampled upon by party workers and supporters of the Lok Dal in their unabashed effort to help their candidates to win. The electoral fraud, perperated practically in every constituency of this agriculturally prosperous region, also found its echoes in the camps of the Congress(I) and Janata party whose workers too did not lag behind in resorting to foul vote-catching devices.

Though rigging in elections is nothing new for the Jat and Ahir hinterland, this time when the caste lines had been clearly drawn between all the three major parties, the scale of unbridled rigging and booth capturing the contestents resorted to by was unprecedented.

Casting of false votes was the precursor of rigging. This procedure was time consuming and its influence on results was marginal. It happened somewhat like this: a person would wash off the indelible ink mark on his finger and impersonate another voter. The practice now remains confined only to the cities where unscrupulous RSS workers often dabble in it. But compared to the techniques adopted by the neo-rich farmers who have acquired wealth in the post-independence period but are still far away from the social recognition in the caste ridden society, false voting seems nothing more than a schoolboyish prank.

Writing to the Election Commission about this practice as early as in 1969, Braham Prakash Sharma, a veteran journalist of the region had described the practice of rigging: A group of the predominant caste in the villages ask the people a few nights before the election whom they would be voting for. The weaker section reply: "whomsoever you tell us to, Chaudhari"; or they had not so far decided. The first category would be told not to bother to go to the polling station; their votes would be taken care of. For the undecided category, there would be 'curfew' on the date of polling. This means none other than the ruling caste may stir out. Men with lathis would patrol the streets. Anyone breaking the 'curfew' is made an example of. At the polling booth, care is taken to first exhaust the votes of the Harijan and other 'non-obliging' people by impersonation through partymen. To ask how this can happen when there are the polling staff, a constable or two, the polling agents and workers of the rival parties is to show ignorance of how things work. The booth is captured. The list voting starts. If the staff is not compliant, they are shoved aside by hefty young men who mark the electoral roll, issue ballot papers and even put the cross on the ballot.

During the last polls a novel method of intimidating Harijan voters was invented in this region. In a well rehearsed drama, a group of predominant caste armed with weapons would berate one of the young men from their own caste near the Harijan Basti (and within the hearing range of Harijans) of dire consequences if the votes were not cast as they desired. The drama, repeated almost in every village created such a fear/psychosis among the Harijans that they kept away from the polling booths.

The bounty of rigging votes has been shared by all the three major political parties in the present fray, though their share has varied according to their potency. In the village Zevari in Muzaffarnagar constituency about 800 Harijan supporters of the Janata and 200 Gadaria (a backward caste) supporters of the Lok Dal were physically prevented by the Gujars, who were supporting the Congress (I). When after exhausting all the votes at the Daurala polling station under the Sardhana assembly segment in the Muzaffarnagar Lok Sabha constituency, the Lok Dal workers were basking at the common meeting place, the news of booth capturing by the Janata men at Mataur, a neighbouring polling station reached them. The ex-serviceman, incharge of the rigging operation at Daurala, cooled down the tempers of his comrades by asking: "What is wrong if the rivals are only repeating there what we had done here?"

Without official support, rigging is impossible. Though there are not many men from the 'aggressive' castes in the civil administration, they make up the deficiency by their numbers in the police. And it is the police who man the elections. The decision of the UP government to upgrade the Baraut Police Station in the month of November was put off at the behest of the Chaudhary of the party within a week as it would have upsetted the stop gap arrangement in which a Brahmin Station Officer had been replaced by a Jat only a month ago despite the bar of the Election Commission on the transfers of government officers after the notification of elections.

The practice is no hush-hush matter. Both the authorities and the politicians know about it. In the premises of the Election office, Meerut, polling officers were vying with each other in narrating the tales of rigging in their respective polling booths. In fact one of them had to caution the overzealous Principal of an Intermediate College, who was 'supervising' the list voting in a Gujar dominated village in the Barnawa assembly segment in the Baghpat Lok Sabha constituency with a view to helping the Congress (I) candidate, that as none of his students could normally score 100 per cent marks, it would appear odd if all the votes appearing in the list were to be cast.

Another polling officer disclosed that he was asked to choose between the 'milk with cream' and 'milk with turmeric'. (Milk with cream is offered to a guest while milk with turmeric is given to an injured person to help heal wounds.) The officer was intelligent enough to understand, and with the passive policemen on duty, he had no choice but to bow before his 'hosts'.

A sector magistrate disclosed that though he had sent a wireless message for the reinforcement of police in the wake of the threat to 500 odd Harijan voters in the Chaprauli assembly segment of the Baghpat Lok Sabha constituency, the message 'did not reach' the headquarters and no force reached the desired place. It is no coincidence that this assembly segment alone gave a lead of more than one lakh to Charan Singh over his nearest rival, Ram Chandra Vikal of the Congress (I).

The scale of malpractices in this election can easily be gauged by the large number of incidents. At least about 1,000 skirmishes including a dozen violent incidents marked the election scene in western UP where riding on the crest of rigging the Lok Dal was able to win 21 out of 30 seats.

Harijans were the most pitiable vic-

tims of the rigging operations. With rigging came the attendant violence, for the Harijans had gathered some courage to rebel against this malpractice and wished to prevent the dominant castes from exercising self-assumed proxies. Indeed a few militant and determined Harijans vainly ventured to do so only to find that three of their castemen in Amroha constituency and one at village Panwari in the Muzaffarnagar constituency had been killed in the process.

The plight of Harijans for their 'crime' of trying to vote has included denial of the facilities of grazing for their milch cattle in the fields of the dominating castes like Jats, Gujars and Ahirs. They are also prevented from using the wells, cutting grass from the fields of the neo-rich, backward caste peasantry. They even face a fine of Rs 100 by the village panchayat, besides physical punishment.

ELECTIONS—IV

Political Polarisation

K T Zacharias

THE results of the Seventh Lok Sabha elections from Kerala are a set-back to the CPI(M)-led Left Democratic Front and have come as a most pleasant surprise to the Congress(I)-led Democratic Front. In the traditionally Left strongholds of Trivandrum and Quilon, stalwarts of the Left movement like M N Govindan Nair and Sreekantan Nair lost by huge margins; the Marxist stronghold of Palghat was lost by about 10,000 votes. The Congress(U) Working Committee member Vayalar Ravi lost by about 6,000 votes at Chirayinkil. Ernakulam was lost by a still smaller margin of 2,500 votes and Moovattupuzha by about 4,000 votes. All these six seats were annexed by the Congress(I)-led Front. In contrast to West Bengal's left front, Kerala was able to forge a broader left-democratic alliance; yet it failed to create a left wave as in West Bengal.

But do these results mark an 'Indira Wave, in Kerala? In the present elections only 58 per cent of the voters cast their votes as against 78 per cent in 1977. The 20 per cent drop unmistakably shows the absence of 'waves' of any kind. The only 'wave' has been that of sordid communalism and casteism of the type one saw during the worst days of 1957-60 and 1970-77. It was this communalism which gave the Congress(I) the small margins in Moovattupuzha, Ernakulam and Chirayinkil as well as the huge margin at Trivandrum.

But this communalism had a negative aspect as well for the Congress(I)-led Front. In many of the northern constituencies, the counter reaction to this communalism resulted in easier victories by comparatively bigger margins to the CPI(M)-led Front. One result of this has been the sharp cut in the influence of the Indian Union Muslim League; its victory margins have been substantially lower than in the past.

There were 93 candidates for the 20 Lok Sabha seats. But all the 53 candidates outside the two fronts forfeited their deposits. The Janata which was in alliance with the Congress(I)-led Front drew a blank. So did the NDP and the SRP. The CPI(M)-led Front won 53 per cent votes and 12 seats while the Congress(I)-led Front won 40 per cent of the votes and 8 seats. Of the 140 assembly segments, the former secured a majority of votes in 91 and the latter in 39.

Apart from the activities of the communal forces, the CPI(M)-led Front had certain other disadvantages. With the Lok Dal-Congress(U)-AIADMK alliance at the Centre, the possibility of this alliance coming to an understanding with other left and democratic parties and the evolution of at least a loose left democratic alliance was visualised and propagated by the left circles. This did not happen. In the circumstances, the left campaign reduced itself to a mere call to reject authoritarianism and communalism. It failed to present an alternate programme. The Congress(I) in contrast promised a strong Central government which would bring down prices and establish law and order.

Unlike in West Bengal, the Left Democratic Front in Kerala was not borne out of a long period of joint political struggles. It appeared quite powerful on paper; but the people were not willing to repose much faith in the alliance. The formation of a Left Democratic Front was under discussion from early 1978. If the CPI had then accepted the proposition of seeking a fresh mandate in the light of changed political conditions, the situation today would have been different. When the Congress(U) allied itself with the CPI(M) last August in the election to the local bodies, it was thought that new ground was being broken. Indeed, the ruling front itself unanimously decided to seek a fresh mandate in alliance with the CPI(M)-led Front. But suddenly it was found that the Congress(U) and the Muslim League had walked into the Congress(I) camp and Mohammad Koya became Chief Minister. A most virulent anti-Marxist campaign was let loose by the Congress(U) to justify its political somersault. But soon, in a matter of weeks, the Congress(U) was back in the CPI(M)-led Front. Not only that, the dominent section of the Kerala Congress led by K M Mani also crossed over to the Marxist camp. Naturally such quickchange acts could not be digested by the leftist cadres and followers, let alone the people at large.

The political somersault by the Congress(U) has cost that party dearly. Many of its workers have gone over to the Congress(I). The CPI and the RSP which had fought elections while in power during the last ten years suddenly found themselves devoid of many followers and cadres even in their strongholds. This was evident in Quilon, an allegedly CPI-RSP-Congress(U) stronghold, where Sreekantan Nair, the RSP leader, came last.

Besides, this alliance between the CPI(M)-led Front and a section of the ruling front — which had after all been heading the anti-Marxist alliance for a decade — had emerged from above. Naturally, things did not always work at the grass-root level. The arithmatical theory of the left sweeping the polls was accepted on all hands and normal election work and a skilfully politicalised campaign was given the go-by.

Despite these setbacks, this election has been instrumental in forging the beginnings of a working unity of the left and democratic forces at the grass root-level, particularly of the two communist parties. On the other hand, a consolidation has also taken place around the Congress(I). This situation is conducive to political polarisation.

KABUL

A Rocky Revolution

Mohan Ram

IN the eerie glimmer of the dying day, the Antonov-22 aircraft at the end of the runway looks shadowy and unreal against the snow-covered hills. Soviet soldiers, dwarfed by the giant aircraft, unload crates of hardware feverishly. The alighting visitor is greeted by the legend painted in red, in Pushtun, Russian and English on the terminal building: "Welcome to the land of new model revolution".

Afghanistan's Saur Revolution, called so after the month of its occurrence, is now about 21 months old. But it is foundering. It is a new model revolution of sorts because it defies categorisation. Communists, operating on a narrow political base and their activity largely limited to urban areas and the armed forces, seized power in April 1978. It was not through the classic general strike-insurrection method. It was not through a protracted peasant armed struggle linked to an agrarian programme. It was not as some kind of continuation of struggle against foreign occupation, or through any form of armed struggle. It was through a coup.

The People's Democratic Party of Afghanistan, for all purposes founded as recently as in January 1965, splintered into four in the next six years or so. But two of them which constituted the bulk of the Afghan communist movement are committed to a national democratic revolution which is the classical Soviet prescription for newly-free Third World countries. One is known as the Parchem (Flag) and the other the Khalq (People) after the newspapers they published.

The Parchem concentrated its activity on the armed forces and backed Daud's coup against monarchy in 1973 and true to Soviet ideological requirements, saw in him the leader of the new democratic revolution only to be disillusioned soon. Daud's coup might not have had Soviet backing but it had the backing of the Parchemite communists who had built a network of contacts in the armed forces. Daud began turning away from the Soviets, responding to the overtures of the Shah of Iran whom the United States had set up to supervise the whole region.

The April 1978 coup followed the murder (by whom it is still unknown) of a communist trade union leader and academic, Mir Akbar Khyber and widespread demonstrations in Kabul. The Parchem and Khalq leaders had been detained in this connection and before the Daud cabinet could meet to decide on the fate of these prisoners, sections of the armed forces under Khalq influence struck to depose Daud.

Tarahki united the two factions and his cabinet comprised leaders of both but soon the Khalq was on the ascendency. Parchemite ministers were virtually banished from the country on diplomatic assignments. Some others were charged with treason and yet some others detained without trial.

On his way back from the Havana Summit, Tarahki was in Moscow and returned with a brief to get his Prime Minister, Hafizullah Amin, out of the way so that a broad front could be built to overcome the resistance the communist-led government had already run into. In what looks a pre-emptive move, Amin got rid of Tarahki much to Soviet displeasure.

The circumstances attending the December 28 coup by Babrak Karmal are confusing. Karmal, after being eased out of his post as the Ambassador in Prague, had lived in Eastern Europe and later possibly in Moscow under Soviet protection. The United States government had been reporting the arrival of Soviet troops in Afghanistan since December 24, well before the coup.

The theory current in Kabul is that Amin had sought Soviet troops on the implied condition that they would function under Afghan direction. But the Soviets brought in more troops than necessary and began acting on their own and Amin realised it was too late. Some of the Tarahki ministers who had alienated Amin are believed to have sought refuge in the Soviet embassy since the September 1979 coup. The confrontation began, according to this version, when Amin sent tanks to force the surrender of the fugitive ministers.

While India seems to have been informed by the Soviet Union that Amin asked for Soviet troops on December 26 to meet the situation caused by external interference (meaning foreign support to the Afghan rebels), the Soviet troops were already in Afghanistan on December 24 and the flow continued until the coup and after. Karmal, who by all accounts arrived in Kabul after the coup (in the early hours of December 28 by a Soviet troop aircraft) is supposed to have made a request for Soviet troops after he assumed office.

Who sought Soviet troops is now a subject of legal friction, comparable to the folklore about a joint India-Mukti Bahini command taking Pakistani soldiers prisoners in Bangladesh in 1971 so that they were not prisoners of India.

Soviet forces are digging in on a scale not warranted by the level of the insurgency. United States propaganda had at one stage claimed that 22 of the 28 provinces of Afghanistan had been "liberated" by the rebels. As of now, there is very little resistance and is limited to a few provinces like Badakshan, Baghlan, Kunar and in some areas of the Herat region. Much of the fighting is done by the Aghans.

It is possible that the exaggerated claims about insurgency suited the Soviets. It gave them the alibi for building up a large-scale military presence. But the decision to induct troops was taken on December 19 by the Soviet party central committee.

In a sense the Soviet troops were brought to combat the challenge to the Afghan regime. But then the Afghan army had not been doing too badly against the rebels. It might be argued that by securing the cities and towns and safeguarding communications and roads, the Soviet troops have given the Afghan army more manoeuvrability and strength *vis-a-vis* the rebels.

But the scale, composition, and deployment of the Soviet armed forces in Afghanistan suggests objectives other than underwriting the Saur revolution and its latest regime, of Babrak Karmal. The Soviets needed a pliable regime in Kabul to be able to establish their military presence in the strategic Central Asian republic.

As of now, contrary to exaggerated Western reports, the Soviets have one airborne division and two mechanised divisions in Afghanistan. It is as good as a complete army and has a command headquarters which together with support troops adds up to another

division. The Soviet air force is present at Bagram, 40 kilometres from Kabul and at Shandmund near the Iranian border on the West. The Soviet army divisions have an integral air force component and since the Soviet air bases are only 20 minutes flying time from Kabul there is no need to bring the air force in on a large scale.

Travelling out of Kabul, one is convinced that the Soviet troops are digging in and have come to stay. Long after the insurgency is smashed they would stay on under the pretext of protecting Afghanistan from external threats. This is self-fulfilling in a sense. In response to Soviet military presence, the United States which in the past does not seem to have aided the rebels directly would be handing them equipment *via* Pakistan.

The Soviet military objectives in the region flow from Moscow's perception of a Sino-Pakistan-United States axis taking shape. This again could be self-fulfilling. The fact is the Soviets are yet unreconciled to the loss of their bases in Somalia which the United States would get now. The Soviet naval facilities in Ethiopia and Yemen, real and potential, are regarded inadequate. And hence the Soviet compulsion to establish a permanent military presence closest to the Hormuz straits in addition to the naval presence in this part of the Arabian sea.

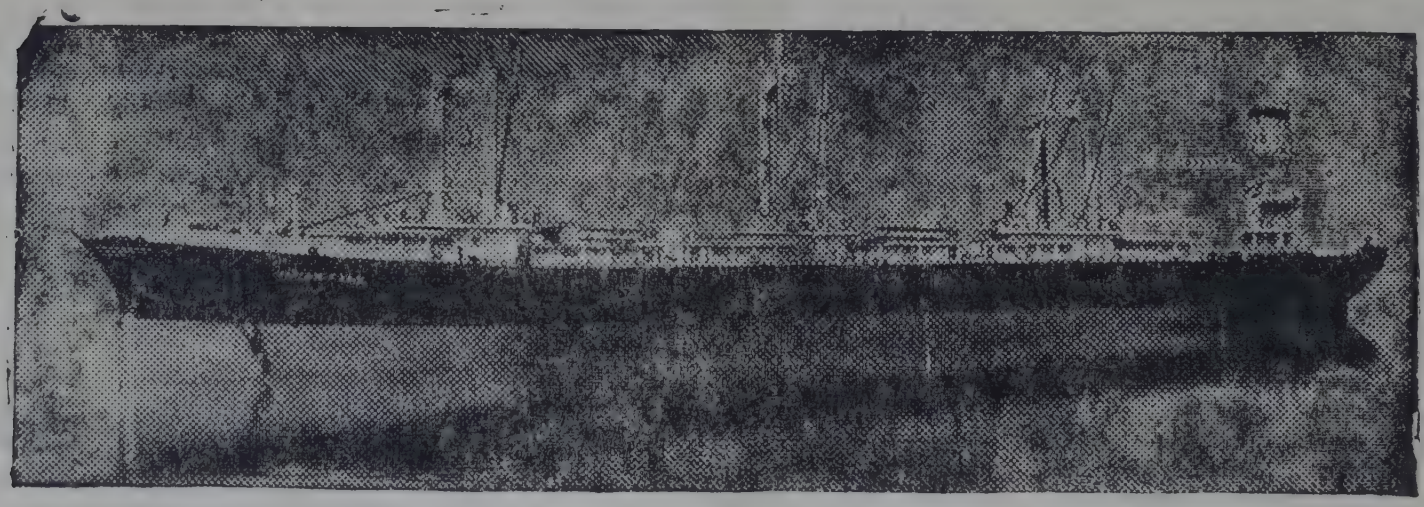
By establishing their presence in Afghanistan, the Soviets would be able to exercise several options. Some of the options pertain to Afghanistan itself. The Pushtun movement in Pakistan and the Baluchi movements in Pakistan and Iran can be activated on a higher plane. (Afghanistan has a Baluchi spill-over and is the homeland of the Pushtuns.) Irridentism has its uses.

Outside of Afghanistan the options relate to Iran and Pakistan. The Soviets see the Karakoram highway, an all-weather road linking China's Sinkiang with Pakistan through Indian-claimed Kashmir territory, as the strategic link between China and Pakistan (militarily). By mounting pressure on Pakistan, the Soviet strategists seek to open a new military front against China.

As for the ostensible reasons for Soviet military presence, Karmal said at his January 10 press conference that the first request dates back almost to the Soviet-Afghan Treaty itself, December 1978, but that the Soviets were most reluctant. And it is suggested that the request actually acceded to was not from Amin but from the Afghan Revolutionary Council as a whole.

By being directly present, Soviet military strength might underwrite the stability of the regime but cannot ensure it a political base. Karmal and his party would have to build it on their own. It is a contradictory situation. The longer the Soviet troops stay the more difficult it is for the regime to build a base through a broad fatherland front for the national democratic revolution. If the Soviets pull out immediately, the Karmal government might be tottering because its base is still narrow.

Nothing offends the Afghan's pride more than the presence of foreign troops, from whichever quarter and with whatever justification. The people do not see any difference between the succession of leaders. The Karmal government tries to paint Amin as the hangman and a CIA agent but many Afghans point to the fact that he was toppled with the help of Soviet arms. By this weird logic Amin is a martyr in their view. In three months he imprisoned or executed thousands. But under Tarahki these numbers were larger and those who carried out these acts are now part of the Karmal government.



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Industrialisation: Goals without Policies

Samuel Paul

World Industry since 1960 : Progress and Prospects, UNIDO; United Nations, 1979; pp 422.

THE Lima Declaration and Plan of Action on Industrial Development and Co-operation had set the target for the share of industrial output of developing countries to be at least 25 per cent by the year 2000. The Third General Conference of the United Nations Industrial Development Organisation (UNIDO) being held in New Delhi this month will review the progress made by the developing countries in achieving the long-term goals set by the Lima Declaration. The document under review was prepared by the UNIDO secretariat as a basis for discussion by the conference of this issue and also to analyse the basic trends in production, trade, employment, technology, and finance relating to the industrial sector. For obvious reasons, UN reports generally confine themselves to surveys, analyses and projections and shy away from proposing policy choices and recommendations for action. This document upholds the UN tradition admirably.

The main theme of this Survey is world interdependence which implies "the acknowledgement of a restructured world economy and a recognition of the need for international solutions to world problems that are compatible with the economic potential of both the developing and developed countries". The Survey emphasises the need for a rational system of global dependence, embracing both economic and non-economic facets in which international, regional and national mechanisms would help influence the forces of change in tune with world goals rather than let events generate their own solutions in an *ad hoc* fashion.

Significant Trends

The Survey consists of ten chapters and a large number of detailed statistical tables and annexures. The first chapter is devoted to a discussion of current international issues affecting industrialisation. The next three are concerned with the changing output patterns, disaggregated or industry level analysis, and strategies for industrialisation. The fifth chapter is devoted to trade issues and the sixth to processing of natural resources. Employment, technology and rural industrialisation are discussed in the next two chapters. Issues relating to industrial finance and public sector enterprises are dealt with in the last two chapters. The report thus provides a bird's eye view of the major dimensions and problems of industrial development in the poorer countries of the world.

The analysis of industrial trends presented in the Survey is a useful backdrop against which the feasibility of achieving the ambitious Lima Declaration target could be evaluated. In 1977, the developing countries accounted for about 9 per cent of world manufacturing output and 62 per cent of the world's population. If the same post-1960 growth trends were to continue, by the year 2000 the developing world may be expected to produce only 13.5 per cent of world manufacturing output while accounting for 71 per cent of the world's population.[1] The increase in the share of developing countries in world industrial output in the seventies is largely due to the relatively successful growth performance in selected countries coupled with the slower growth rates in the more developed countries. Growth has been significant in developing countries at intermediate levels of per capita income. Rates of growth have been lowest in the poorer countries where more than half the population of the developing world live! According to UNIDO, structural changes in manufacturing have been brought about by factors such as the size of the domestic market, the level of resource endowment, and the country's policy orientation.

The Survey then goes on to present three alternative scenarios of future industrial growth up to the year 2000. The first, assuming the continuation of recent trends, projects a share of only 13.5 per cent of world manufacturing output for developing countries by 2000. The second scenario based on more optimistic, but still feasible, assumptions (in UNIDO's judgment) predicts a share of 23.2 per cent by 2000. The most optimistic projection of 25.2 per cent is given by the third scenario which assumes a significant growth of income in developing countries.

The directions of change in the patterns of industrial production are noteworthy. Since 1955, this shift towards heavy industry has been pronounced in the developing world. In 1976, the distribution of output between light and heavy industry in developing countries was similar to that in the centrally planned economies in 1955. The clear long-term goal of many countries seems to be to alter their existing patterns of industrial specialisation. A review of UNIDO's work in several priority industries shows that producers in several developing countries have shifted from being suppliers of raw materials into the production of semi-finished and finished goods.

In terms of industrialisation strategies in developing countries, the survey records the following major trends: (1) government's role in planning and regulating industrial development has expanded significantly; (2) there has been a marked shift away from import substitution towards export promotion; (3) governments have become more selective in matters relative to foreign investment and technology import; (4) there has been a growing concern about the implications of industrialisation for employment and other distributional goals.

Technology and Employment

During the period 1960-75, employment in developing countries grew steadily, though the gains were uneven among the countries. The employment growth of the centrally planned economies exceeded that of the developed market economies. The latter experienced cyclical fluctuations and a period of stagnation in the seventies. For the developing countries, the growth rates of manufacturing employment were generally higher than the rates of increase in labour force. During this period, there has been a growing concern in many developing countries that the gains of development have not been reaching all strata of society. In the context of the social goals of industrialisation, choices of product mix and technology assume special importance. The search for appropriate technology does not preclude advanced or capital intensive technologies in certain sectors of

industry. UNIDO claims that new technologies developed in the research institutions of developing countries offer scope for the substitution of capital, labour or materials.[2]

The Survey points out that there is empirical evidence to show that the goals of rapid industrialisation and the alleviation of poverty through rural development could be complementary. Industrialisation strategies should therefore take into account both the competitive and complementtary roles of large-scale and small-scale industries. Rural industrialisation policies and programmes need to be integrated both vertically with national policies and horizontally with agricultural and related programmes in rural areas.

Another aspect of the problem discussed in the Survey is the reasons for the choice of inappropriate technologies. The role of transnational corporations which tend to adopt capital intensive techniques, factor price distortions which lead to over-valuation of labour and undervaluation of capital, and the attitudes of engineers and administrators are among the reasons cited for the prevalence of this tendency. A number of comparative studies evaluating alternative technologies relevant to developing countries have been reviewed in the report.

The Survey draws attention to the changing patterns of international financing in recent years. The sharp increase in the participation of developing countries in both long-term and short-term financial markets is evidence of growing global interdependence. The bulk of industrial finance is generated from domestic savings which in turn becomes the major factor facilitating structural change in industry. The total finance available to developing countries is directly related to their levels of income. In the richer developing countries, as much as 86 per cent of gross investment is financed by domestic savings. In contrast, foreign capital accounts for the bulk of investment in the poorer developing countries.

The most sketchy part of the Survey relates to the public sector in industry. Lack of data is the major reason given for this inadequacy. The report suggests that the pre-requisite for making the public sector an effective instrument are (a) the formulation of long-term strategies and establishment of a coordinating machinery for the sector, (b) the introduction of a multi-dimensional system of performance measurement, and (c) the recruitment and training of the best qualified staff for the sector. Since the achievement of the Lima target calls for a massive application of technology, it is also suggested that the public sector could enter into joint ventures with foreign parties in order that national control is retained.

From Target to Action: The Missing Link

The major contribution of the report under review is the broad perspective it provides the reader about the trends in the industrial development of developing countries today. Undoubtedly, it will be found to be an extremely useful document by the policy-makers and representatives of the countries participating in the Third General Conference of the UNIDO. The alternative scenarios presented in this report will be of interest to planners, technologists and economists who might wish to formulate targets for their countries against these international projections. The wealth of data and detailed methodologies used in this exercise will be of great value to a variety of researchers.

What perhaps is conspicuous by its absence is a discussion of the courses of action required to match the goals of the alternative scenarios. After all, any target in the policy context needs to be supported by a strategy designed to achieve it. If UNIDO is not in a position to recommend a single strategy, it is important to present alternative approaches and their implications in terms of policies, resources, trade linkages, etc. Any significant increase in the share of the developing world of industrial output will raise important problems of both investment and production. Clearly, much of the strategic planning has to be done at the national or regional levels. But, there are certain areas in which common approaches or courses of action might be appropriate. Let me take just two problem areas.

The report rightly emphasises the role of technology choices in indus-

Indian Council of Agricultural Research

Jawaharlal Nehru Awards for Outstanding Post-Graduate Research in Agriculture — 1980

The Indian Council of Agricultural Research invites applications from post-graduate students who have obtained their Ph.D. degree during the year 1979 in the fields of agriculture/animal sciences (including fisheries) and home science for "Jawaharlal Nehru Award for Outstanding Post-graduate Research in Agriculture — 1980". There will be five prizes of Rs. 5,000/- each for outstanding research work of the following nature:—

"Which may have bearing on finding a solution to any important national problem in the field of Agriculture, which is likely to have an impact on increasing the production or improving the quality of any important crop for human nutrition or animal productivity or increasing the technological efficiency of any process of economic importance connected with agriculture".

Candidates shall be required to submit their applications with the synopsis indicating precisely and in concise terms the work they have done. The candidates shall also be required to submit to the Council a copy of the thesis submitted by them for the award of the doctoral degree through the guide under whom the work was done, who may state the extent to which the work is the candidate's own contribution. The certificate awarded to the candidate for Ph.D. degree may also be sent. There is no prescribed proforma for applying for this award. Each candidate will be judged on the basis of the originality and the applied value of the investigations as revealed in the thesis submitted by him. In all matters relating to the award the decision of the Council shall be final and no correspondence on this account will be entertained.

Applications alongwith six copies of synopsis, one copy of thesis and six copies of bio-data with complete address for correspondence with telegraphic address, if possible, should be forwarded to Shri Rup Ram, Additional Secretary, Indian Council of Agricultural Research, Krishi Bhavan, New Delhi, through the head of the institute from which the candidate obtained his doctorate degree so as to reach him not later than *31st March, 1980*. The award winning thesis will be retained by the Council for record. In case the application is not accompanied by a copy of thesis and the required number of synopsis and bio-data, the application is liable to be rejected at the screening stage.

davp 1020(9)79

trial development. In spite of efforts to develop appropriate technologies in developing countries, the fact is that a major source of technology, capital and management for many poor countries will be the transnational corporations (TNCs). The ability to increase industrial production in many countries will depend on how effectively they can negotiate with TNCs and pursue policies which will make them serve national goals. There are a number of important efforts under way to strengthen the capacity of developing countries to deal with TNCs. UNIDO is also actively engaged in this effort. Yet the report does not seem to have devoted any attention to this important area of policy and action. It does not require a great deal of foresight to see that the poorer countries which depend most on foreign capital and are moving at the slowest pace may need a great deal of support and advice in this respect.

In the years to come, public sector problems are bound to assume considerable significance in industrial development. One does not have to undertake a great deal of quantitative analysis or projections to conclude that considerable resources are being pumped into the public sector by developing countries and that the poor performance of public enterprises will soon be a major drain on these economies. Of all development activities, the operation of industrial enterprises is one for which at least some measurable goals could be set and steps could be taken to ensure some measure of accountability in terms of results. If action is not forthcoming on this front, it is seldom due to the lack of a co-ordinating machinery or difficulties in devising multi-dimensional performance measurement systems. Problems of public sector performance in many countries might well be due to the reluctance of the political and bureaucratic leadership to take the action needed to make these enterprises succeed. Large industrial investments happen to be milch cows in many countries which those in power would like to use to serve their own ends. The problem is not therefore simply one of remedying the inefficiencies in the public sector or improving their management in the technical sense, but one of facing up to the question of what the purpose of the public sector is and how those who operate these enterprises can be made accountable for results.

Perhaps there are other documents dealing with such issues which will be presented at the UNIDO Conference. There is, of course, no reference to any such papers in the report under review. The policy-makers who assemble at this conference are likely to be more concerned about the common areas of action that might emerge from a given scenario rather than with the intricacies of the scenario itself. An understanding of such areas of action and the implications of the strategic options they represent will be useful in judging how feasible or appropriate the targets underlying a scenario really are.

Notes

1 This estimate was made by the UNIDO secretariat using UN estimates of population.
2 "Technologies from Developing Countries" (DTT Series No 7).

Political Science, or Political Philosophy?

Arun Bose

Political Development: A Critical Perspective by Daya Krishna: Oxford University Press, Delhi, 1979; pp x+211, Rs 60.

THIS book can be read at three levels. First, it can be treated as a book which records and analyses the impact on American political scientists of the fiascoes of US political intervention throughout the Afro-Asian-Latin American world in the 1960s and 1970s. Second, it can be read as a critique of attempts by some American political scientists to work out a theory of 'political development' which had a two-fold aim. On the one hand, it was an attempt to have a theory of 'political development' modelled on theories of 'economic development' which were very much in vogue in the 1960s and 1970s. On the other hand, it was an attempt to supplement theories of economic development to ensure that US-centred attempts at promoting economic development abroad did not fail because of a lack of a complementary theory of political development to inspire policy. Thirdly, the book can be taken as a contribution to current nihilistic literature on all attempts to construct a 'science of political behaviour' (which roughly originated with the work of Thomas Hobbes, in the days of the only English Revolution that ever took place, in the 1640s).

I

As regards the first level at which the book can be read, it makes several highly interesting things clear for the record. It makes the telling point that, in sharp but little-noticed contrast to much rhetoric emanating from the US, the concept of 'freedom' and 'liberty' and the *words* 'political freedom' or 'political liberty' are hardly to be found in this, modern American literature on poltical development (p 16). Indeed, an anti-'normativistic' frenzy — akin to what seized economic theorists in the 1920s — seems to be a symptom of the current state of health of American political scientists. Concepts of freedom and liberty seem to have been finally eliminated from the unsuccessful version of political science which goes by the name of a 'theory of political development'. At the same time, it is worth noting that such modern facts of political life in the 'under-developed' countries as political violence, political assassinations and rural-urban conflicts, though not political strikes) have at last forced their way into this kind of literature (pp 85-6, 88). On the other hand, it is odd, though perhaps not surprising, that discussion, at the level of 'political science' in the Anglo-Saxon world, of what can be called 'judicial politics', remains tied to side-issues (pp 137, 144-47). The wide-ranging ramifications of the role of Judge Sirica in the Nixon-Watergate scandals, have apparently been ignored. [It must be added at this point that it is disappointing to find the author agreeing that "in times of political crisis, it is well known that the judiciary tends to lose its independence and becomes increasingly an instrument of those who wield actual power" (p 137). It is by no means clear that such a statement is all that can be said about 'judicial politics' in the recent context of the Watergate trials in the US, the Allahabad High Court judgment in India, and the Tanaka trial in Japan.] A final point worth noting about this genre of American political theorising is that it remains strictly non-Marxian,

based on a denial of concepts of the class-struggle, exploitation and alienation. However, the concept of 'dialectics' *has* entered the field, though the dichotomy on which it is based is the 'elite-mass dichotomy' or a conflict between 'rural and urban centres' in the context of 'rural majority and urban growth' in the process of development (pp 163-65).

II

What this book says at the 'first level' is mainly informative. The author does not undertake to assess, in the light of the hard facts of political life, how far the theorising is a mirror of political reality.) But the author is devastatingly critical about the inanities of the literature on 'political development' (Introduction, ch 1, ch 5) and the truistic way in which the valuable concept of 'political culture' is used in the literature on political development (pp 87, 148-9, 151-2, 156). The author will convince most readers that the terms 'political development' cannot be invested with *any* meaning, not even the limited meaning for limited purposes, that the terms 'economic development' can be said to have. However, what is a little disconcerting is that in his successful, nihilistic attack on the concept of 'political development' he seems to have 'killed' the concept of 'political progress' also. Of course, the author does leave some room for a concept of 'social development' (p 9) or of 'social progress' (p 6). But one does get the impression that the quarry Daya Krishna is out to kill is the concept of 'development' (and also of 'progress') *per se* — in *any* branch of knowledge, or of reality. In the same way, whatever may be the banal uses of the concept of 'political culture' currently in vogue among political scientists to which the author refers, can one totally disregard the serious Marxian dictum that 'the educators must be educated', or the serious intentions of those who tried to 'remake the human soul' in the Soviet Union under Lenin and Stalin, and to organise the 'Cultural Revolution' in the recent past in communist China? Must they logically and *inevitably* lead to 'thought control' to impose a species of permanent 'total' dictatorship by the Marxist 'educators' — as the author seems to suggest (p 146)?

Daya Krishna's book is a welcome sign of the times — when walls separating disciplines erected as a result of hyper-specialisation are being torn down. A philosopher like Daya Krishna, who can take a fresh look at political science *ab initio*, without being burdened with 'received doctrine', has many advantages. But there is always a danger of "inventing obscurities ... so that the discourse goes on" — as in a Beckett novel. Besides, just as there is danger in having recourse to too much mathematics, there is some danger in using too little — even when one is discussing such a 'soft' discipline as modern political theory. Thus, lack of acquaintance with the modern mathematical theories of collective choice (including the modern mathematical theory of games) seems to make Daya Krishna reach the conclusion that where there are situations of political conflict, the larger the number of units the less determinate is the outcome, unless the decision-makers themselves dictate the outcome (p 98). This matter has been gone into very thoroughly by modern collective choice theorists, though the language they use is mathematics. *Ab initio* theorising *a la* Socrates has its pitfalls. For example, can we really agree that "Perhaps the 'the body politic' is really like 'the body' which has a thousand ways of being ill, but only one way of being healthy" (p 201)? (To labour the obvious, we know enough now to turn the guibble round and say if the body has a thousand ways of being physically and mentally ill, it has a thousand ways of being healthy.) To take another example, (from economics) it is simply not true that when in input-output analysis 'What is an input for one unit can be an output for another' there is a violation of a 'fundamental condition' for successful use of the input-output method of analysis (pp 79-80). On the contrary, the main purpose of input-output analysis is to reach 'determinate' conclusions in such cases. [Nor did Marx face any problem in analysing profit because 'how could one understand the profit in a total economy where all individual profits and losses would cancel out' (p 80).] Philosophers are welcome to assess work in 'applied philosophy' — i e, political or economic theory. But they might do better if they pay close attention *either* to the 'facts' which constitute the 'raw material' of political or economic theory, *or* to 'received doctrine' (up to date) about these facts. If they did that, they might discover that what is ultimately at issue is *not* the failure of uni-modal notions of rationality' in political theory or other branches of knowledge. What is at issue is whether we must only rely on a bundle of 'insights' or rely on limited chains of reasoning, even though we give up the search for 'unified field theories'.

The Asian Regional Team for Employment Promotion (ARTEP), a multi-disciplinary team of the International Labour Organisation based in Bangkok and concerned with the implementation of the Asian Employment Programme, invites candidates for the position of:

1. Development Economist (to undertake research and advisory activities on problems such as the operation of the labour market, condition of women, employment and technology in Asia); and

2. Employment and Basic Needs Planner (to undertake advisory work and, possibly, some analytical work on problems of generating employment and satisfying basic needs in the Asian countries)

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Energy Crisis and Its Impact on Energy Consumers in Third World—I

D R Pendse

Though they woke up to the problem only in October 1973, the energy crisis had long been a writing on the wall for the industrial world and, even more, for the countries of the Third World. For a country like India, the immediate impact was traumatic for all sectors of energy consumers.

Two options are now open: (i) to keep augmenting supplies of fossil-fuel energy to match ever-increasing consumption (the hard path); and (ii) to conserve such non-renewable fossil-fuel sources of supply and tap increasingly the renewable sources (the soft path). The soft path is the more workable option for the industrial world as also for the Third World; though there will be immense difficulties in its acceptance and inevitable time-lags in its implementation.

The industrial nations, the author argues, need to come forth to help the Third World adopt the soft path. They have the wherewithal to conduct research into the abundant base of renewable energy sources of the Third World countries, to develop appropriate equipment and appliances and to make them available on soft terms.

Consumers and their organisations, particularly in the Third World, need to adopt concrete programmes aimed at creating awareness of the dimensions and implications of the energy crisis.

[This paper is published in two parts. The second part will appear next week.]

I

A Diverse Energy Phenomenon

THE non-OPEC developing countries is a cluster of 110-odd countries broadly clubbed as the 'Third World'. They present a picture of vast diversity not only in such very basic features as size, population, resources, levels of poverty and unemployment, stages of economic development and political systems of government; but the diversity extends also to several aspects of energy sources and demand:

- Within the Third World then, there are countries like China which have proven coal reserves of 300 billion tonnes, while India has only 23 billion and Sri Lanka's reserves are negligible. Crude petroleum reserves of Mexico are an estimated 483 mn tonnes, but Morocco has nil. In natural gas, China is believed to have 550 billion cubic metres and Zaire, only 2 billion cubic metres.
- In terms of energy consumption, there is Argentina with 1,754 kg of coal equivalent per capita, and Bangladesh with only 28 kg (in contrast to the US with a massive 11,000 kg).
- In some countries like India, over 65 per cent of electricity is consumed in industry but in Sri Lanka, the percentage is only 33.
- After the oil price increase in 1973, most of the Third World countries have woken up to the need for an energy plan; but in their priorities again, there is a diversity. While countries like Argentina and the Philippines seem to be laying great emphasis on the development of nuclear energy, others like India, are simultaneously attempting to develop bio-gas plants at one end and nuclear energy at the other.

Amidst this diversity, there is, however, an underlying homogeneity which comes to a sharp focus when these countries as a group are contrasted with the industrialised countries as a group. In comparison with the latter, the Third World's per capita energy consumption is indeed low; still, by and large they are net consumers (or importers) of energy in general, and oil in particular. Interestingly, the Third World countries are also relatively far less urbanised, and are more richly endowed with sunlight.

It is therefore only to be expected that the impact of the energy crisis on these countries would vary widely, and their response to meet this crisis would vary even more widely. Any generalised analysis or statements regarding these countries would naturally be subject to serious inherent limitations. To some extent, I would attempt to overcome these limitations by referring more frequently to India, about which my ignorance is less complete.

II

Sources of Energy

As is known, the principal known sources of energy can be divided into two broad and self-explanatory categories:

(i) Non-commercial: which includes firewood, animal waste, vegetable waste, animal power, wind power, and human physical power; and

(ii) Commercial: which includes coal, crude oil, natural gas, nuclear energy, and electricity (hydro and thermal).

(iii) In exploratory stage: solar, geothermal, tidal and fusion.

The Third World as a whole accounts for almost half of the world's population, but consumes roughly about 10 per cent of the world's commercial energy. Within the Third World, higher income countries (per capita GNP above $ 375) consume 60 per cent of the energy; middle income countries ($ 200-375), about 16 per cent; and lower income countries (below $ 200), the remaining 24 per cent.

The share of coal as a source of energy consumed seems to go up as we move down the income-ladder among these countries (6 per cent, 20 per cent and 58 per cent for the above three categories respectively). The Third World also has 44 per cent of the world's hydro-electric potential, but as

TABLE 1: PERCENTAGE SHARE IN TOTAL ENERGY CONSUMPTION IN INDIA

	1953-54	1965-66	1976-77
1 Coal	15.4	16.7	13.7
2 Oil	12.8	20.8	26.6
3 Electricity*	4.1	9.9	14.7
4 Firewood	44.2	34.2	29.7
5 Dung	10.0	7.9	6.1
6 Vegetable Waste	13.5	10.5	9.2
7 Total Commercial (1+2+3)	32.3	47.4	55.0
8 Total Non-Commercial (4+5+6)	67.7	52.6	45.0

Note: These data are derived from estimates on the basis of million tonnes of coal replacement units (mtcr).

* In India, the bulk of the electricity is hydro or thermal. Nuclear energy came on the scene only in 1969. At present, out of the total electricity generation by public utilities of 89.2 bu KWH, only 4 per cent is nuclear power. In 1982-83 also, the share of nuclear power would stay at 4 per cent only.

of 1974, only 4 per cent of this potential was actually tapped.

INDIAN EXPERIENCE

Table 1 brings out how the percentage share of the different commrecial and non-commercial sources of energy changed over the last two decades in the case of India. In addition, mechanical energy derived from animal power and manpower used for drawing water, ploughing, etc, is also used in significant quantities; but no precise data on these are available.

On an overall basis, results of the National Sample Survey carried out in India reveal that in the decade 1963-64 to 1973-74, the annual growth rate of non-commercial energy consumption was around one per cent only, as against that of commercial energy being at 5.6 per cent. The total energy consumption is computed to have recorded an annual growth rate of 3.3 per cent but in per capita terms this was less than one per cent.

SIGNIFICANT FEATURES

It is worthwhile noting some features of the various sources of energy in the Third World:

(1) Ignoring the sources which are yet at the exploratory stage, the commercial sources are, with the notable exception of hydro-electricity, all non-renewable ones or fossil-fuels, a point of great significance as we will later see. Similarly, almost all non-commercial sources are renewable ones.

(2) In the Third World countries, the proportion of non-commercial energy in the total energy consumption is higher than that in developed countries. In both Tanzania and Nepal, for instance, firewood accounts for an estimated 96 per cent of all the fuel used, while in the US it is negligible.

(3) With the process of development and industrialisation the share of non-commercial energy declines sharply. In 1850, even in the United States, fuel-wood apparently accounted for over 85 per cent of the energy consumption, and coal, barely 10 per cent. By 1910, the share of coal had increased to 75 per cent and of fuel-wood, reduced to 10 per cent. By 1974, coal itself had given way, accounting for only 18 per cent of the consumption, as against oil and natural gas which accounted for 78 per cent, and fuel-wood which was reduced to a negligibly small share. In India too, the share of non-commercial energy fell from 67.7 per cent in 1953-54 to 45 per cent in 1976-77.

(4) It is true that the consumption of energy by developed countries (the industrial world) is several times the consumption of the (non-OPEC) developing countries. But the difference is magnified because in most of the official statistics, data are compiled only for the commercial sources of energy, which are the ones commonly used in the developed world. For example, according to the standard UN reference volume, 'World Energy Supplies (1950-74)', the typical American uses 957 times as much energy as the typical Nepalese. These figures exclude the consumption from non-commercial sources of energy, which is negligible in the US, but substantial in Nepal. When all energy sources are counted, the difference would seem to be about 40 times only.

(5) While the aggregate per capita energy consumption does increase with economic growth and improved standards of living, a part of the 'increase' seen in official statistics, is only a shift from the non-commercial to the commercial sources, and not a net increase in consumption. There is yet no reliable data indicating the exact break-up of the aggregate figures on an internationally comparable basis.

III

Birth of Energy Crisis

It is customary to talk of the energy crisis as if it was born in October 1973[1] when the OPEC-countries sharply increased the crude oil prices. This, I am afraid, is only a sectional view of the phenomenon. The OPEC-move was of course a major event bringing in its train a series of economic consequences, from which the world is yet to recover fully. It also added a new dimension and a sense of urgency to the energy crisis. What happened in October that year, was as if the world woke up from its slumber with a jolt, and took notice of that crisis which had started brewing much earlier. In the industrial world, there were, e g, at least two relevant factors at work much before October, 1973:

First, there was the inevitable fact of finiteness of fossil fuel resources. Even in the 1960s, resource specialists in the US and elsewhere had been voicing their concern about the impending energy crisis because the entire industrial world was being designed to run on oil, and was drawing increasingly heavily on the world's strictly limited and non-renewable supplies. By and large, the world had taken no notice of these warnings until 1973.

Secondly, the problems of pollution and environmental protection were becoming acute, and these problems were the direct results of increasing consumption of fossil-fuel energy — be it oil, coal or nuclear. Studies[2] made with reference to several cities like Hong Kong had confirmed this danger: but a response typical of the industrial world was to devise protective measures which themselves consumed vast quantities of energy. In Sweden,[3] for example, the consumption of energy for the anti-pollution measures adopted (such as filtration plants, dust collectors, ventilators, etc) itself was expected to increase by 5 to 10 per cent annually. With the hike in oil prices, the issues regarding pollution once more came to the fore, demanding more fundamental responses.

In several Third World countries, there were three additional factors at work since much before October 1973, which, even without the OPEC oil-price hike, were leading these countries to an energy crisis. These factors were:

(i) the firewood crisis,

(ii) the electricity shortages, and

(iii) the scarcity of capital.

Firewood Crisis

Firewood is the chief source of fuel to nine-tenths of the population in the Third World countries, and along with other renewable sources, it accounts for over 80 per cent of the energy consumed in the domestic sector of these countries. In many countries like India, Central Africa, Nepal, Latin America, etc, there has been a large-scale deforestation often in the form of unauthorised cutting of trees, unaccompanied by a matching programme of afforestation.

The productivity of wood in India is a bare 0.3 cubic metres of wood per hectare per annum as compared to 2 cubic metres in UK and 4 cubic metres in the Federal Republic of Germany. In India, in 1978-79, firewood consumption is estimated to be about 132 mn tonnes as against 'availability' of only 35 mn tonnes the balance being 'met' by unauthorised cutting of trees.

The firewood scarcity has increased its 'price' (since bulk of the firewood is procured at zero private cost, the 'price' really represents the cost of labour and service for bringing firewood to the consumer's door). In turn, this has led to an increased diversion of demand to dry cow dung as a substitute source — a very wasteful source indeed, because : (a) in drying, the dung shrinks to about 1/5th of its weight; and (b) farm land is robbed of badly needed nutrients and organic matter. In the words of India's National Commission on Agriculture, "the use of cow dung as a source of non-commercial fuel is virtually a crime". With the October 1973 sharp increase in crude oil prices, when the developing countries started looking more seriously at alternative sources, they realised the gravity of their own other crisis, namely, the firewood crisis.

Electricity Shortages

Recurring shortages of electricity was another factor at work in several of these developing countries. The consumption of electricity, e g, in India increased at a high rate of 10.3 per cent p a (compound) during the 23 year period from 1954 to 1977. But the demand was far in excess, primarily due to :

(a) the very process of industrialisation;
(b) the increase (*albeit* very moderate) in the purchasing power of the people; and
(c) the policy to supply increasing quantities of electricity for agriculture to energise pumps for irrigation water.

The electricity generation industry, which is now the exclusive privilege of the public sector, was however lagging behind. Plan after Plan, the gap between targets for adding generation capacity and the accrual addition, was widening, reaching a huge 54-55 per cent in the 4th and the 5th Five Year Plans. Inadequacies of planning techniques, cost escalations and inordinate delays in implementation mainly contributed to this shortfall.

The efficiency of the thermal power plants was also low at an average of 4270 kwh per year as compared to 5600 kwh achieved in many countries like Japan. Similarly, the transmission losses were high at over 20 per cent, as against 8 to 9 per cent in many developed countries.

These weaknesses culminated in an 'electricity famine' as far back as in 1972 and 1973. Even now, electricity generation is about 20 per sent below the estimated demand which means a loss of industrial production valued at over $ 3.5 billion annually and also a substantial loss to the exchequer in terms of tax revenue. Many other South-East Asian countries are also in the midst of such electricity shortages with no immediate relief in sight.

Scarcity of Capital

Finally, there is the scarcity of capital. Most of the energy industries are highly capital intensive and have long gestation periods. This is true in the case of power generation — be it hydro, thermal or nuclear; it is also true of power transmission, of oil-exploration, of oil-refining and distribution, as also of coal-mining.

Third World countries embarking on the process of industrial development are invariably faced with acute shortage of capital; and there is an understandable tendency to employ such capital as can be raised indigenously or procured from abroad, on quick yielding and short-gestation projects, and not to see it 'blocked' for years in the energy industries for which they usually lack also the technical know-how. (India, which followed the so-called 'heavy industry model' of planning is one of the exceptions to this phenomenon.) Energy being a vital input for development of agriculture, industry or transport, it had to be priced artificially low, which added to the disattractions of the energy industries.

Similarly, whenever governments in the Third World were faced with 'financial strains' (and they were so faced all too frequently), the general response was to cut back on investments and allocations required to fulfil the physical targets of the capital intensive industries, thus hitting the energy industries in particular.

Thus, even prior to 1973, the world as a whole, and the Third World countries in particular, had started moving towards an energy crisis.[4]

IV
Energy-Intensive Culture

In terms of GNP and industrial production, the industrial world has grown and developed phenomenally in the twentieth century. Crucial to this growth was the assurance that there is an inexhaustible source of low-cost energy — first coal and then oil. The oil based energy technology, which was chosen by today's industrialised countries, has set the tone for our transport systems, structure of industry and even for our settlement patterns. Energy-intensive industries now consume 45 per cent of the energy used in all manufacturing, yet provide only 6 per cent of the employment in the manufacturing sector. Some of the new inventions and developments in science like space exploration are also energy-intensive. A Saturn V rocket launch consumes in two minutes as much energy as was used in 20 years to build the great pyramid of Egypt![5]

Changes in Life-Styles

This energy-intensive culture led to marked changes in life-styles. All these years, energy decisions were guided by an unwritten policy called demand accommodation, which means that whatever demand is forecast, should be met by making available matching supplies. Demand for energy, therefore, kept on being stimulated and created. Perfectly healthy people preferred to take lifts even to the lower floors; preferred to use electric shavers, and electric tooth brushes; preferred to have instant conferences on closed circuit TVs, and so on. And then, since their body did not have any movement during the day, preferred to visit health clubs regularly and do instant exercises with the help of power-driven apparatus! As of today, interests of far too many sectors — the industry, the workers, the people, or, for that matter, the national exchequer — seem to be involved in the continuation of the present energy-intensive culture; and even the most rabid environmentalists



"If people are treated with honesty and dignity, and are allowed to participate in a process of constant communication, they respond with commitment."

—T. Thomas, Chairman, Hindustan Lever Limited

One example of this commitment is the story of Jairam Singh, Kalyan Singh and Kuldip Singh—three generations of Hindustan Lever salesmen.

Jairam Singh sold Lever products in the pioneering days of the 1920's. Kalyan Singh joined him in 1935, and for a while father and son together manned the vast Punjab territory. Jairam Singh was a fun-loving, outdoor man, but Kalyan Singh is more serious minded. Now that he has retired, he is doing voluntary work caring for the devotees at the Golden Temple in Amritsar. "I had seen my father and grandfather work for the Company, and be treated fairly and with consideration," says Kuldip Singh. "This developed in me a great regard for the organisation." Strong, emotional bonds that have stood the test of time, result in the kind of dedication that keeps Hindustan Lever salesmen trudging around in bazars in the heat and the dust...stocking retailers with another dozen tablets of soap or another bottle of shampoo.

It is relationships like this—with employees and consumers, with suppliers and the trade, that make Hindustan Lever what it is: A company of people going from strength to strength.

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A company of people

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agree that some more growth in energy supplies is inevitable, and may have to be permitted, before the curve starts flattening.

In these days of mass communication systems, this energy-intensive culture takes little time to spread to the Third World countries. The famous International Demonstration Effect is very much in evidence. All who can afford and are permitted in these countries — the politicians, the rich or even the middle-class urbanites — desire to follow the energy-intensive life-styles and pattern of industrial development adopted by the industrial countries.

Perils of Low-Priced Oil

The era of dirt-cheap oil until October 1973 brought in its train a series of economic and social consequences, which in retrospect cannot all be considered to be an unmixed blessing.

(1) The low-priced oil helped build up the energy-consumption culture; and industries that found newer ways of making people consume increasing quantities of oil-based energy became very rewarding. World production responded by rising from a mere 328 mn barrels in 1910 to a massive 20 billion barrels in 1973. In the words of the Shah of Iran,[6] quoted by *Time* magazine, "In 1947 the posted price for a barrel of oil in the Persian Gulf was $ 2.17. Then it was brought down to $ 1.79 and that lasted until 1969. So there were 22 years of cheap fuel that made Europe what it is, that made Japan what it is".

(2) Conversion of energy from one form to another itself became profitable and worthwhile. According to one estimate,[7] in Britain since 1900, primary energy — the input to the fuel chain — has doubled while the energy at the end-use — namely, the car, furnace, or machine whose function it fuels — has increased by only a half, or by a third per capita; the other half of the growth went to fuel industries which are the largest energy consumers. Actually, if allowance is made for the energy used in raising coal from mines and transporting it to power stations, for the processed steam lost, for the transmission losses, etc, it can be argued that in certain usages, ten tonnes of coal equivalent energy has to be spent to produce one tonne of coal equivalent energy for final consumption.

(3) With one sweep, coal became less popular; and the share of coal (often indigenously mined) in total energy consumption declined to the benefit of oil (often imported).

(4) Cheap oil dissuaded many governments and industries, particularly in the developing countries, from research and development of other oil fields. In India, for example, the marine geophysical surveys of the off-shore oil field known as Bombay High were conducted, and the presence of oil clearly indicated, as early as in 1963. But it took another seven years for detailed seismic surveys to confirm the availability of oil. Work began in real earnest only after the OPEC-oil price hike, and the oil field is already yielding an output at the rate of 4 mn tonnes per annum. In Malaysia, too, off-shore oil production received a fillip only after the OPEC-price hike, and output has more than doubled to reach more than 260,000 barrels per day. Even Britain's North Sea Oil can be said to have passed through a similar process. Seismic prospecting was going on since early 1960s; but oil production really started increasing from 1975, when it was 1.6 mn tonnes to 12 mn tonnes in 1976 and to about 70 to 80 mn tonnes in 1979.

(5) Research and development regarding alternative sources of energy was not worthwhile, and was not vigorously pursued in the cheap oil era. The alternative sources that thus had a set-back ranged from high technology areas like photovoltaic cells and geothermal energy to very simple technologies particularly suitable to decentralised operation in the Third World, like the bio-gas plants, solar heaters or the wind mills.

(6) Problems of environment, noise, and pollution, which were already born with trends of deforestation, increasing consumption of coal, oil, etc, grew to serious proportions with the indiscriminate use of the cheap oil-based energy.

(7) An interesting feature of the cheap oil era is that a sizeable initial investment is usually necessary to reap the benefits, of the cheap energy in terms of increased productivity. For example, a tractor, or a power-operated pump to draw water from a tube-well, or a power-tiller, no doubt all increase the productivity on farms but the initial investment in buying these machines must be made. (Similarly, to enjoy the benefits of cheap motor spirit, a car must first be bought.) In many developing countries, only the relatively rich farmers having large holdings could afford to, and did make these initial investments; and therefore, only they could benefit from the increased productivity. In turn, this trend widened economic disparities and added to the social tensions in several rural communities.

It may appear paradoxical that this dirt-cheap oil-based energy should have been so costly that only a few could have afforded it in the Third World. The paradox is resolved when we appreciate the fact that even if the consumer prices of oil and oil products in absolute terms, were broadly equal in several of the industrial as well as the developing countries, for the consumers in developing countries, this oil-based energy was in effect not all that 'dirt-cheap', in view of the sharp differences in the levels of per capita incomes and purchasing power.

For instance, prior to 1973, the price of petrol (motor-spirit) in the US was about 8.57 cents per litre (39 cents per gallon) when the average per capita income was $ 15.3 per day. In other words, a day's per capita income could have bought 179 litres of petrol in the US. In India, the per capita income then was about 30 cents per day. Thus, even if the price of petrol were to be equal, namely 8.57 cents a litre, it meant that a day's per capita income in India could have fetched only 3.5 litres of petrol. In point of fact, because of high government tax on petrol, the price of petrol was much higher, namely, 16 cents per litre, at which rate a day's per capita income fetched less than two litres of petrol. Thus, in real terms, petrol, and commercial energy in general, was much less cheap in the Third World, than one would be tempted to think.

But within a given developing country the oil-based energy did remain cheap as compared to the alternative sources of commercial energy, aand given the structure of industrial development chosen by most Third World countries, a good portion of the demand was relatively price-inelastic.

V

Energy-Intensive Development Strategy

It appears that the very process of development of the developing countries is energy-intensive. Different countries may follow different models of development, in practice all these models inevitably seem to have resulted in a series of consequences, each of which, interestingly implies increasing consumption of commercial forms of energy. The exact rates of increase in this consumption may of course vary

depending on a number of specific factors.

Development Process and Energy Consumption

(1) It seems to be an unmistakable corollary of the process of industrialisation that there is a shift in energy consumption from the renewable to the non-renewable sources, in addition to the net increase in consumption again being mostly from non-renewable sources.

(2) Development also leads to increased urbanisation bringing with it concentration of industries, increased demand for the transport of raw materials, finished goods, as well as people, over longer distances, construction of multi-storeyed buildings, installation of communication facilities, the need for additional electric power for domestic use, and what not. Some specialists would perhaps argue that identical levels of industrial and commercial activities in a rural and decentralised system would actually increase energy consumption in, say, the transport sector. There is no conclusive evidence about this; but the question that really needs to be asked is whether in a decentralised system, levels of such activities will be identical. I believe there will be general agreement that the contemporary urban environment requires a much larger supply of energy to satisfy basic duman needs. Demographic trends suggest that during 1975-2000, at least 5,000 cities, each with half a million people or more will be built, mostly within the Third World countries. According to a recent study,[8] if these cities are assumed to be constructed at a constant rate of 200 per year the capital and the recurring energy cost of these cities at the 1971 Hong Kong level, will amount to more than five times the 1973 energy consumption of the whole world.

(3) As a result of development, the tempo of human life becomes faster with the introduction of cars, buses, aeroplanes, telephones, mechanisation and automation. All these are distinctly energy-intensive.

(4) Economic development also affects the spatial organisation of society. Usually, there is a greater centralisation in all economic activities such as production of goods and services, living styles, and administrative machinery, which again are more energy consuming.

(5) Interestingly, at the household level, there is a process of decentralisation of activity which again is energy-consuming. Underlining this point, the Swedish 'Secretariat for Future Studies', in one of their Studies,[9] point out that in every era of history households and individuals have had fairly stable needs for several things such as shelter, food, clothing, looking after the children, caring for the old, medical care, education and leisure. With the development process, all such functions which were wholly or chiefly performed in the home, with very moderate consumption of commercial energy, are gradually specialised, complicated and centralised outside the home, each requiring additional floor space and transport facilities. This spatial organisation demands a good deal more energy, estimated, in Sweden to be at least 60 to 65 per cent of the total energy demand.

(6) With the development process and higher standards of living that go with its success, our ideas of comfort generally change and become more energy-intensive often in substitution of human or animal power. Rural womenfolk would hate to grind wheat on a grinding wheel at home, or to draw water from wells and rivers and carry it home. The bullock cart and horse carriage give way to auto-bicycles, buses or tractors. Better hospitals and schools, better canteens and more domestic appliances, are in demand and all of them are energy-intensive.

It is hardly necessary to prolong this list. But it is necessary to clarify, lest I am misunderstood, that there is no intention of expressing an opinion about the desirability or otherwise, of these changes. The point relevant for our purpose is only that all these changes necessarily increase consumption of energy.

The relatively low efficiency with which energy is used in developing countries makes matters worse for them. As pointed out earlier, this lower efficiency is reflected in lower capacity utilisation of thermal power plants and higher transmission losses, and is largely due to inadequate technical know-how, resource constraints, and allied reasons. But, it does mean that in relation to the industrial world, developing countries must install larger capacities to be able to consume a given quantity of energy. In other words, the capital cost of energy consumption tends to be relatively higher in the developing countries.

Weaknesses in Development Strategy

It is arguable that a part of this increase in energy consumption could possibly have been avoided. If it could not be avoided in practice, the fault was (if it is a fault), inherent in the development strategy itself. The plan models are usually oriented to achieving a targetted growth in GNP, in agricultural or in industrial production. The technology available or borrowed is usually the energy-intensive Western technology. As the standard of living of the people improves, in fulfilment of the plan targets, they themselves demand more of goods and services that again are energy-intensive.

The industrial structure in the consumer goods, in durables or in engineering sectors is then allowed to be built up on the unwritten principle of something like demand accommodation referred to earlier. The authorities generally project the likely demand for the various industrial products, see the existing installed capacities and, if there are gaps, invite industrialists to set up additional capacities to bridge them, by publicising necessary guidelines. It is always presumed that whatever additional energy would be required must somehow be found by producing or importing it — be it in the form of coal, oil or electricity. Rarely are the energy implications considered more fundamentally. And if the implications are found to be serious in terms of resources or in terms of environment or other economic or social consequences, rarely is the matter considered in terms of regulating demand for the various industrial products. Thus energy-intensity has got itself inextricably woven into the process of development and growth followed by most developing countries.

VI

Energy Consumers in Third World

Sector-wise Consumption

The main sectors of energy consumption in developing countries are the following:

i Industry (including mining and manufacturing);
ii Transport;
iii Agriculture;
iv Domestic; and
v Commercial (including Government and others).

The share of each of these sectors varies widely among different countries.

TABLE 2: CONSUMPTION OF COMMERCIAL ENERGY IN INDIA

(MTCR)

Sector	1953-54	1960-61	1965-66	1970-71
(1) Mining and manufacturing	22.4	30.7	60.8	76.3
	(37.3)	(39.2)	(41.4)	(38.7)
(2) Transport	21.5	34.2	49.7	64.6
	(35.8)	(33.8)	(33.8)	(32.7)
(3) Agriculture	1.8	3.6	6.3	9.1
	(3.0)	(3.5)	(4.3)	(4.6)
(4) Domestic	12.7	20.8	26.5	35.5
	(21.1)	(20.6)	(18.0)	(18.0)
(5) Commercial (incl govt and others)	1.7	2.9	3.7	11.8
	(2.8)	(2.9)	(2.5)	(6.0)
All sectors	60.1	101.2	147.0	197.2
	(100.0)	(100.0)	(100.0)	(100.0)

Note : Figures in brackets are percentages to total.
Source : Report of the Fuel Policy Committee, 1974.

TABLE 3: SECTOR-WISE AND SOURCE-WISE CONSUMPTION OF COMMERCIAL ENERGY (1953-54 AND 1970-71) IN INDIA

(MTCR)

Fuel/Sector	Coal*	Oil@	Electricity	Total
(1) *Mining and Manufacturing*				
1953-54	13.80	3.65	5.00	22.45
	(61.47)	(16.26)	(22.27)	(100.0)
1970-71	31.07	10.90	34.35	76.32
	(40.71)	(14.28)	(45.01)	(100.0)
(2) *Transport*				
1970-71	12.10	8.76	0.60	21.46
	(56.38)	(40.82)	(2.80)	(100.0)
1953-54	15.91	47.23	1.43	64.57
	(24.64)	(73.15)	(2.21)	(100.0)
(3) *Domestic*				
1953-54	2.20	9.79	0.70	12.69
	(17.34)	(77.15)	(5.51)	(100.00)
1970-71	4.07	27.58	3.83	35.48
	(11.47)	(77.73)	(10.80)	(100.0)
(4) *Agriculture*				
1953-54	neg.	1.61	0.20	1.81
	neg.	(88.95)	(11.05)	(100.0)
1970-71	neg.	4.51	4.54	9.05
	neg.	(49.83)	(50.17)	(100.0)
(5) *Commercial (incl government and others)*				
1953-54	0.60	—	1.10	1.70
	(35.29)	—	(64.71)	(100.0)
1970-71	0.30	6.97	4.50	11.77
	(2.55)	(59.22)	(38.23)	(100.0)
(6) *Total* (all sectors)				
1953-54	28.70	23.81	7.60	60.11
	(47.7)	(39.6)	(12.7)	(100.0)
1970-71	51.35	97.19	48.65	197.19
	(26.0)	(49.3)	(24.7)	(100.0)

* Exclusive of coal used for power generation.
@ Oil products used for energy purposes only.
Note : Figures in brackets are percentage distribution of different fuels consumed in the sector.
Source : Report of the Fuel Policy Committee, 1974.

ithin a country also, the pattern under-es significant changes over time. It common to see that the share of in-stry and transport increase with the ogress of industrial growth. (In some untries figures for demestic and com-ercial sectors are clubbed together.) ble 2 gives details for India.

It is clear that the biggest consumer commercial energy in India is the ning and manufacturing sector, which along with the transport sector accounts for well over 70 per cent of the consumption. Over the period 1953-54 to 1970-71, while the mining and manufacturing, agriculture and commercial sectors have increased their share, transport and domestic sectors have declined theirs though in absolute terms, they continue to account for increasing consumption.

The average annual rate of growth of energy consumption during this period has been 7.5 per cent in the mining and manufacturing sector, 6.9 per cent in the transport sector, 6.2 per cent in the domestic sector and 9.9 per cent in the agricultural sector, and 12.1 per cent in the Commercial (including government and others).

SECTOR-WISE AND SOURCE-WISE CONSUMPTION

Table 3 gives a further break-up of consumption of different forms of commercial energy in the various sectors of the economy. The Table shows that:

(i) over these two decades, the share of coal has declined for all sectors;

(ii) in mining and manufacturing, the share of electricity is gaining fast, even at the cost of oil;

(iii) in transport, the share of oil is increasing mainly at the expense of coal (dieselisation of trains, increased growth of road and air transport, etc.);

(iv) in domestic sector, coal is increasingly being replaced by electricity.

IMPACT OF ENERGY CRISIS

While discussing the impact of the energy crisis on energy consumers in the Third World, a few preliminary points need to be noted:

(i) First, by and large, non-OPEC developing countries are themselves net consumers, that is, net importers of energy. A notable exception is China, which manages to export annually about 30 million barrels of oil net, mostly to Japan, even if its production amounts to barely 3 per cent of the world total; and she accounts for 20 per cent of the world's population. There are some other exceptions too, like Mexico, which are net exporters of oil, but they obviously fall in a different category. Hence the impact of the crisis on the economies of these countries is really the impact as a result of their being net energy consumers.

(ii) Within any given country, the ultimate consumers of energy, in a strict logical sense, are of course the final consumers *viz*, the individual or the family. But the consumption of energy by other sectors like industry, transport, etc, is also in fulfilment of demands by the final consumers and the pattern of energy consumption is what

it is because the final consumers in effect wish it to be what it is.

(iii) In the Third World countries, the final consumer — the individual or the family — is by and large very poor, and illiterate; he consumes very little, and is also almost entirely unorganised. The dispersed rural settlement pattern is an obstacle to his being organised. As a result, the consumer movement, while doing good work, is yet in its infancy; in many cases, still in embryo. This is in strong contrast to the impact made by the consumer organisations in the industrialised world. In the event of any adverse impact on the consumers, these voluntary but powerful bodies come forward to protect their interests, and courts of law can also take action against any violation or infringement of consumers' rights. But in the Third World countries, it is often for the Government itself to become the conscience-keeper of the consumer; and, by means of various fiscal or monetary measures and by direct physical controls and subsidies, try to safeguard the interests of the weaker consumers.

Hence, when far too important a matter like the energy crisis arises, it is only to be expected that Governments of developing countries will respond with policy-packages calculated to mitigate its adverse impact on the unorganised and poorer sections of energy consumers. The role of the Government cannot thus be ignored in assessing the impact of the energy crisis on the Third World countries.

VII

First Round Impact Was 'Appalling'

For most of the non-OPEC developing countries, which were net consumers of oil-based energy, the October-1973 increase in oil prices created convulsions which in the first round were disastrous. India, along with Bangladesh and Sri Lanka, was classified by Robert S McNamara, the World Bank President[10] as a country worst affected by the oil price hike. India's experience will therefore be relevant from this point.

(1) In October 1973, India's Fourth Five-Year Plan was coming to a (rather unceremonious) conclusion. A draft of the 5th Plan was prepared and published and was to be launched in April 1974. But the oil price hike and its effects upset the basis of all calculations on which the 5th Plan draft was prepared, and the process of planning received a serious jolt (not the first one, though).

(2) In October 1973, again, the inflation fuel was already over-heating the world economy. So while we received 22 per cent higher prices for our exports, our overall import prices were up by 46 per cent. Result: the terms of trade slided down by 16 per cent and the balance of trade had a deficit of $ 508 million.

(3) The full impact became clear in 1974-75. India's import bill for petroleum and petroleum products was more than doubling year after year, from $ 240 million in 1972-73 to $ 659 million in 1973-74 and to $ 1,361 million in 1974-75. Import prices of fertilisers also doubled. Overall, import prices rose by another 73 per cent during the year; as against an increase of only 25 per cent in export prices. The balance of trade deficit mounted to $ 1,400 million and the foreign exchange reserves, at a mere $ 718 million were equivalent to just about one and a half month's imports.

(4) The rains failed that year, and there was acute scarcity of such basic consumption goods like foodgrains and edible oils. Market prices went soaring up, causing considerable hardship to the poorer consumers. But due to the oil price hike, much of the foreign exchange was pre-empted in imports of oil and fertilisers; and adequate amounts were not available to import these consumption goods. Per capita availability of foodgrains, always low, slided down further by 10 per cent and of edible oils by 7 per cent that year.

(5) Indian industry met with a recessionary phase beginning from the latter part of 1974; and investment is stagnant even now. It cannot be denied that the after-effects of the oil price rise had their share in this.

(6) Quite a few industries became 'sick', directly as a result of the oil price increase. Among them were the passenger car industry, in which an erstwhile seller's market was overnight turned into a buyer's market, mainly because of the very high costs of maintenance in view of the sudden increase in petrol prices. Equally affected were hundreds of electric furnaces all over the country producing mild steel ingots from scrap. Because of recession in demand for steel and because of widespread power shortages — both parts of the energy crisis — most of these mini-steel plants, as they are known in India, had to close down. Among other industries hit hard w the commercial vehicles, aluminiu refrigerators, airconditioners, dome electrical appliances, etc.

(7) An increasing number of clos and sick industrial units, reduced p fitability of other units (due to recessio and the general increase in consum prices threw many people out of e ployment and contributed to strai industrial relations as refleced in all-time high figure of 40 mn man-d lost in 1974.

(8) The oil price increase also posed severe strains on the transp sector in view of the increase in pri of high speed diesel oil used by r ways and trucks, and the increased mand for coal moved by railways. R way passenger fares had to be put by 20 to 33 per cent in 1974-75 freight rates by 5 to 11 per cent, versely affecting the weaker sections society.

(9) The price of kerosene, us widely by the rural and other poor s tions of society as a fuel for light and cooking also went up by 27 cent though the government, as a liberate policy, had kept this incre at a relatively moderate level. As result, these consumers, already cau in the cycle of poverty, inflation a unemployment, had no option but consume less of kerosen, and turn ba to consuming more of firewood a dung for direct burning. The firewo crisis was thus indirectly aggravat No wonder therefore that, in Septem 1974, the World Bank President [11] sa "... The effect of this on the alrea marginal condition of life of the po est 40 per cent within these countr is an appalling prospect". Indeed, did then look that the end of the t nel was not in sight.

VIII

End of Tunnel ?

It took the bulk of the year 1974 for India to regain the balance af the October 1973 upheavals. But, retrospect it is a great relief to n that not only did the tunnel end, b there being no more convulsions aft wards, (excluding of course the lat major dose of oil-price hike administe since January 1979 — the full imp of which is yet to be felt), the Ind economy was gradually able to disco some new strengths. Interestingly, t discovery came again with the help forces that were set in motion with

ergy crisis:

(1) Directly on the energy front, ere was a greater awareness of the portance of 'power management'. For ample, a large power generation com- ny (one of the few left in the private tor now), had earlier appointed a sk force to assist mainly industrial nsumers reduce wastage and ratio- lise the use of energy. It was found at many industries could in fact re- ce their energy consumption by 10 r cent to 15 per cent without any ss of production. "The energy econo- y steps included Power factor im- ovement, economy in the use of air nditioning and lighting, production heduling for minimising energy con- mption, avoiding idle running of achines and improved maintenance of ant and machinery to avoid waste or akage".[12] In contrast, in the industrial orld, the efficiency with which energy as producing goods and services was sumed to be optimum and 'in 1973, e Chase Manhattan Bank saw virtually o scope for conservation, save by inor curtailment'.[13]

(2) Exploration of new fields and nplementation of old projects was ex- edited. As noted earlier, the 'Bombay High' has already started giving divi- ends. India's oil production increased y over 70 per cent from 7.2 mn ton- es in 1973 to 12.5 mn tonnes in 978-79.

(3) India has opted for oil explora- ion operations in other countries on a production-sharing basis and has already von 4 mn tonnes of crude oil as her hare until now from Iran. Similar ex- ploration work continues in Iraq and Tanzania.

(4) During the period 1974-75 to 1976-77, India's exports continued to grow at rates higher than the growth rates of world exports. An important contributory factor was that the deve- lopment programmes and increased consumer expenditure in the OPEC countries boosted demand for Indian goods. Exports to the OPEC countries have risen by 261 per cent from $ 216 million in 1973-74 to $ 782 million in 1976-77.

(5) Indian consultancy firms were offered a number of valuable projects in the OPEC countries, like, e g, the Tripoli power project in Libya ($ 113 million), a housing complex in Dubai ($ 64 mn), and a water filtration and treatment plant in Iraq ($ 10 mn). In fact, recent reports suggest that, in the last three years or so, in face of competition from many developed countries, India has emerged to be the second largest supplier (next only to Japan) of goods and services to the Middle East. Among other projects reported to be currently under construction by Indian companies may be mentioned the construction of two airports, a set of 'standard' roads and townships in Libya, an air base township in Kuwait, a University in Baghdad, and a telephone net work in Oman. In addition, India has secured sub-contracting in some other assignments awarded to firms in the developed world.

(6) There are also instances of OPEC countries rendering financial assistance to establish in India industrial projects whose output will be exported to them. A typical example was of the Kudremukh Iron Ore Project (in Karnataka) for which Iran had extended a credit of $ 630 million so that India could supply annually 7.5 mn tonnes of iron ore concentrates for 20 years beginning September 1980.

(7) Another striking development is that an ever-increasing number of Indians are now working abroad. While country-wise break-up is not readily available, quite a large percentage is obviously going to the Middle East. They include not only the highly skilled professionals like doctors and engineers, but also men in semi-skilled vocations like stenographers, draftsmen, masons, carpenters and nurses. Most of them are not planning to stay abroad permanently; they leave their families back home, and make substantial remittances in valuable foreign exchange. The exchange reserves of India have been dramatically increasing from the low of $ 0.8 billion in 1975 to $ 2.6 billion in 1976, $ 4.7 billion in 1977, and over $ 7.0 billion now. The increased flow of remittances by the Indians abroad, is by far the most important single factor for the comfortable foreign exchange situation.

(8) India is now experiencing a very heartening flow of tourists (and also patients) from Iran and other Arab countries. Arrivals from West Asia increased by 34 per cent in 1977.

These very encouraging trends were of course consolidated by four successive good monsoons from 1975 to 1978 and the resultant price stability and substantially improved availability of basic consumer goods, until the beginning of the current year. There are very many economic problems of acute gravity that still remain but discussion about them is outside the scope of this article. In short, while the first round impact of the energy crisis was disastrous and gave a major set-back to the Indian economy, it also helped discover these new and enduring strengths which are no less valuable. I am therefore of the view that, on present reckoning, the total account of the energy crisis until the beginning of 1979, may not after all turn out to be very much to the disadvantage of India. The Indian experience cannot however be considered to be very representative of the impact of the energy crisis on other Third World countries. In view of the vast diversity among these countries, highlighted at the outset, and in view of the fact that widely different factors are at work it would be simplistic to have expected otherwise. Not many developing countries perhaps suffered a blow of such gravity in the first instance, as did India. Countries like Thailand and the Philippines — whose reserves had benefited from buoyant export prices — or Turkey and Yugoslavia — which had received substantial remittances from their workers abroad — or Korea and Brazil — which had been expanding their exports of industrial goods — found themselves in relatively a better position to meet the initial impact, particularly in respect of the balance of payments position.

Similarly, not many countries have been equally lucky to have absorbed a blow of such severity. China presents what seems a remarkable exception, since her development strategy linked to self-sufficient, independent, decentralised and mutually-competitive communes of about 10,000 people, was considerably less energy-intensive and therefore shielded her economy to a greater extent from the shocks of energy crisis.

Broadly, however, one should agree with the assessment of the World Bank in its Report for 1977, that the developing countries, like much of the rest of the world, have learnt to adjust to the sharp increases in the price of petroleum products. I would however add two riders:

Since these developing countries had to raise the domestic prices of oil and power to the new international parities, a brake had to be applied to their progress towards the task of improving the living standards of the bulk of their population, because the people had to pay increased prices for agricultural inputs, transport and cook-

ing and lighting fuels, without any commensurate increase in their purchasing power.

Secondly, barely had the adjustment process entered its final stage, when, since the beginning of 1979, there has in effect been an over fifty per cent increase in the effective OPEC oil prices. A new supply bottleneck has also emerged following the stoppage of exports from Iran and cut back in production in other OPEC countries. Finally, in strong contrast to 1973, OPEC countries now are relatively silent about pledging financial assistance to the Third World countries, which are likely to be seriously affected by the latest price rise. The cumulative impact of these points could not be favourable, but it is too early to spell it out with any precision at this stage.

(To be concluded)

Notes

1 The OPEC-countries raised the prices of crude oil twice in quick succession, first with effect from 16th October 1973, and the second announced in December that year, but took effect from January 1, 1974 only. I will follow the common practice of referring to these two increases in prices together as the October 1973 price increase.

2 Newcombe, Ken *et al*, "The Metabolism of a City: The Case of Hong Kong", *Ambio*, a Journal of the Human Environment Research and Management, Royal Swedish Academy of Sciences, January 1978.

3 Holmstrom, Nina, *et al*, "Energy Conservation in Swedish Industry", paper published in Division 2, Conservation of Energy Utilisation, 10th World Energy Conference, Istanbul, September 19-23, 1977.

4 Having emphasised this point, I will also follow the common terminology in the interest of easier understanding, and refer to pre-October 1973 days as the pre-energy crisis period and to post-October 1973 as the 'after the energy crisis' days.

5 Jensen, W G, "Energy and the Economy of Nations", Foulis and Company, Oxford, 1970, p 7 (as quoted in "Energy, Resources, Demand and Conservation, with Special Reference to India" by Chaman Kashkari).

6 Simha, S L N and Hemalatha, D, "Oil International Payments and Reform", Institute of Financial Management and Research, Madras, 1975, p 60.

7 Lovins, Amory B, "Energy Strategy: The Road Not Taken?", *Foreign Affairs*, October 1976, p 69.

8 Newcombe, Ken, *et al*, *op cit*.

9 "Energy and Society: Conceptual Outline Introducing a Future Study", Secretariat for Future Studies, Sweden, Stockholm, 1976, pp 46-47.

10 McNamara, Robert S, Address to the Board of Governors, Septemb 10, 1974.

11 *Ibid*.

12 Bose, D K, *et al*, "Energy Co servation in a Developing Econom — India", paper published i Division 2, Conservation of Energ Utilisation, 10th World Energ Conference, Istanbul, Septemb 19-23, 1977.

13 Lovins. Amory B, *op cit*, p 71.

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Pakistan's Nuclear Posture and India's Options

P R Chari

Given the history of the conflicts between India and Pakistan, and given India's own nuclear explosion in May 1974, the activation of Pakistan's foreign and nuclear policy to counter the perceived threat from India has hardly been unexpected.

This article describes Pakistan's existing nuclear facilities, its future plans in the direction of achieving military nuclear capabilities, and the options available to India to meet them.

IN a recent interview President Zia-ul-Haq of Pakistan stated: "The fact is that not only has the order to make a bomb not been given by us, it cannot be given, because we are a long way from that stage. Setting off a nuclear device is one thing, putting together a bomb is something very different — it's an intricate engineering problem, and we do not have that sort of engineering capacity."[1] Of course, India has denied on numerous previous occasions that Pakistan has any military nuclear ambitions. But he has also reiterated that Pakistan would not accept constraints upon her peaceful nuclear programme.

Bhutto's oft-quoted statement, "If India builds the bomb, we will eat leaves or grass, even go hungry, but we will have to get one of our own", can be dismissed as rhetoric. Bhutto's assertion in his last testament, however, must be taken seriously: "The Christian, Jewish and Hindu civilisations have this [nuclear] capability. The Communist powers also possess it. Only the Islamic civilisation was without it, but that position was about to change."[2] In fact Bhutto had asked for the Atomic Energy portfolio during his tenure as Foreign Minister in the Ayub regime. Largely due to Bhutto's initiative a research reactor was set up at Nilore and construction of the Karachi Nuclear Power Plant started. For an insight into Bhutto's thought processes the following passage from his book "The Myth of Independence" is revealing:

> India is unlikely to concede nuclear monopoly to others and ... it appears she is determined to proceed with her plans to detonate a nuclear bomb. If Pakistan restricts or suspends her nuclear programme, it would not only enable India to blackmail Pakistan with her nuclear advantage, but would impose a crippling limitation on the development of Pakistan's science and technology ... Our problem in its essence is how to obtain such a weapon in time before the crisis begins. India, whose progress in nuclear technology is sufficient to make her a nuclear Power in the near future, can provoke this at a time of her own choosing.[3]

Pakistan's nuclear posture was further manifested during the debate in the late sixties on the Nuclear Non-Proliferation Treaty. Pakistan's views regarding joining that Treaty — in effect, foreclosing its nuclear option — were conditioned by its relationship with India. Pakistan was therefore expected to sit on the fence over the NPT until India changed its position.[4] Pakistan was not reassured by India's protestations regarding the peaceful nature of its nuclear device which was exploded on May 18, 1974. Munir Ahmed Khan, Chairman of Pakistan's Atomic Energy Commission, declared that the explosion "opened the floodgates for nuclear weapons. Unless strong and decisive steps are taken by nuclear powers, the membership of the nuclear club will not stop at six."[5] Replying to Indira Gandhi's letter (May 22, 1974) in which she had affirmed India's commitment to its "traditional policy of developing nuclear energy resources entirely for peaceful purposes", Bhutto argued: "It is a question not only of intentions but of capabilities ... It is well-established that the testing of a nuclear device is no different from the detonation of a nuclear weapon. Given this indisputable fact how is it possible for our fears to be assuaged by mere assurances, which may in any case be ignored in subsequent years. Governments change, as do national attitudes. But the acquisition of a capability, which has direct and immediate military consequences, becomes a permanent factor to be reckoned with."[6] Given the history of conflict between the two countries, Bhutto's suspicions and his activation of Pakistan's foreign and nuclear policies to counter the perceived danger from India were hardly unexpected.

At the diplomatic level, efforts were made by Pakistan to seek nuclear guarantees from the nuclear weapon powers. It is unclear whether any progress was made in this direction; but given the inherent difficulties surrounding the question, it is unlikely that Pakistan succeeded.[7]

Guarantees apart, Pakistan vigorously sought to propagate, thereafter, a suggestion for creating a nuclear free zone in South Asia. This proposal was pressed before the United Nations as a contribution to the world's search for security, and to avert the dangers of nuclear proliferation. India's counter-proposal urged that initiatives for creation of a nuclear weapon free zone in the appropriate region of Asia must come from the States in that region. The initiative could only follow consultations and agreement regarding the features and geographical applicability of the zone. These opposing proposals have been coming up each year before the UN General Assembly. Pakistan's attempt, quite clearly, has been to embarrass India, and highlight perceived ambiguities in its nuclear policy. India, on the other hand, could not enter any nuclear free zone which does not include China.

At the technological level, Pakistan hastened its search for nuclear technology in an effort to achieve parity with India. Some part of that effort was overt, some part clandestine. Pakistan's nuclear intentions being clear, its capability to derive a military nuclear option is of crucial significance. We might, therefore, describe Pakistan's existing facilities and its future plans in the direction of achieving military nuclear capabilities. The options available to India would be considered against this backdrop.

Pakistan's Nuclear Programme

The principal fissile isotopes utilised for fabricating atomic weapons are U-235 and Pu-239. Natural uranium contains three isotopes — U-234, U-235 and U-238 in relative abundances of 0.006, 0.72 and 99.274 per cent respectively. For uranium to be utilised for military purposes the concentration of U-235 must be increased to over 80 per cent. The process of uranium enrichment is costly, power intensive and technologically sophisticated. But the uranium path to nuclear weapons has been preferred by the five nuclear weapons powers because it permits the ultimate produc-

tion of thermonuclear weapons (hydrogen bombs).

The other fissile isotope — Pu-239 — does not occur in nature. It is produced alongside Pu-240 and Pu-242 as a by-product during the operations of a nuclear reactor. For weapons purposes Pu-239 over a concentration of 80 per cent is required, though there is a controversy in scientific circles whether lesser concentrations of Pu-239 would suffice for meaningful explosive purposes. This question is important because atomic power reactors, during their normal working, produce plutonium which is contaminated with large quantities of the undesirable Pu-240 and Pu-242 isotopes. It is possible, however, to work atomic power reactors at reduced levels of irradiation to produce higher percentages of Pu-239. But, reactor working in this manner is uneconomical, and not very reliable. A plutonium reprocessing or separation plant is further required to extract Pu-239 from admixed reactor fuel. Pyro-metallurgical or chemical separation processes are available for this purpose.

The possession of weapons-grade fissile material, i e, U-235 or Pu-239 over 80 per cent pure, is the first, but vital step towards acquiring atomic weapons. For a nuclear explosion to be set off a 'super-critical' mass — between five and eight kilograms — of weapons-grade uranium or plutonium is created by bringing together two or more sub-critical masses. The 'super-critical' mass is maintained for this purpose, in a state of coherence, so that chain fission reactions may occur rapidly, which lead to the explosion. Two techniques are used for achieving 'super-criticality'. The first is the 'gun assembly' method in which one sub-critical mass is shot down a barrel into another sub-critical mass to produce the 'super-critical' mass. The second is the 'implosion' technique, wherein a sub-critical core is placed within a sphere of shaped explosive lenses; their simultaneous detonation compresses the core, which increases its density to achieve 'super-criticality'.[8] It is evident from the foregoing that production of nuclear weapons through indigenous efforts is not easy, although it can never be impossible for a determined nation. A great deal would naturally depend upon progress achieved in nuclear technology, quality of scientists and technicians available, but, above all, on the state of general industrial sophistication and infrastructural support.

Pakistan's nuclear programme and capabilities may now be evaluated. An Atomic Energy Committee was established in 1955, which was upgraded to the Atomic Energy Commission (PAEC) in 1956. Its initial tasks were to provide for exploration of radioactive minerals, setting up an Institute for Atomic Energy to train scientists, and to make recommendations for utilisation of atomic energy. The United States agreed to offer technical assistance and provide a research reactor at half price. During the period 1960-68 a sum of Rs 32.4 crores was spent on nuclear technology; and 11 research centres in West Pakistan and 7 centres in East Pakistan were established.

A Directorate of Nuclear Minerals was set up within PAEC which discovered large quantities of uranium and radioactive minerals in Gilgit, Indus river sands, and Dera Ghazi Khan.[9] Later discoveries of an "abundant quantity" of uranium in southern Punjab and some other places enthused Munir Ahmed Khan to claim that Pakistan would not only be self-sufficient in uranium but would also be able to export it.[10] For the extraction of uranium ore, a pilot plant was set up and is in operation at Lahore. Work was reported on a fuel fabrication plant in 1974 with Canadian assistance, but this facility does not appear to have been completed. Neither have any heavy water plants been established.

The main centre for advanced research is the Pakistan Institute of Nuclear Science and Technology (PINSTECH) at Nilore, near Islamabad. Its principal facility is a 5 MW research reactor, which was set up with assistance from the International Atomic Energy Agency (IAEA) in 1963, and went critical in 1965. It is of the 'swimming pool' type, requiring slightly enriched uranium as fuel, and utilises light water as moderator. The reactor has been utilised to manufacture artificial radio-isotopes. It is too small, however, to produce enough plutonium for explosive purposes, and is also under IAEA safeguards.

Pakistan's only nuclear power reactor is the Karachi Nuclear Power Plant (KANUPP), whose construction started in 1965. It went critical in November 1972, and was built on turnkey basis by a Canadian company. The reactor is of the CANDU-type, using natural uranium as fuel, and heavy water as moderator. It can produce some 30 kgs of plutonium annually. KANUPP has an output o 137 MWe, out of which 12 MWe i consumed by the station itself. The plant was under Canadian and IAEA safeguards. But the status of the agreement itself has become anomalou after Canada suspended its nuclea co-operation with Pakistan in 1977 following the latter's reluctance to up grade safeguards upon the reactor, and extend them to all its nuclear facilities. KANUPP is believed to be running at greatly reduced output levels at present, due to the unavailability of uranium fuel rods and heavy water.

Pakistan's nuclear energy programme included construction of a 500 MWe power reactor at Chashma Barrage in Mianwali district, intended to go critical by 1983. Since this plant was being established with Canadian assistance (which has been withdrawn), it is unlikely to start functioning within any assessable time-frame. Apart from this plant, Pakistan has drawn up an ambitious plan envisaging the establishment of 24 nuclear power plants in the next two decades; eight are planned for the 1980s and the remaining for the 1990s. The finances are expected from "friendly West Asian countries", the World Bank and internal resources.[11] At present prices of around $ 600 m per 500 MWe reactor, the cost of eight reactors visualised for the 1980s works out to approximately $ 5 billion. Pakistan's entire budget is around $ 4 billion at present and fully one-third of its revenues come from external aid; consequently this ambitious plan has a distinctly utopian flavour. Neither does it seem essential for Pakistan to embark upon such a large atomic energy programme given its hydro-electric power resources. "Pakistan has alternatives to nuclear reactors as a source of energy which could be exploited at lower costs for Pakistan and which do not entail the risk of the spread of nuclear weapons . . . Bad economic reasoning alone may not have been the determinant of Pakistan's nuclear policy. Other considerations such as domestic political pay-offs, competition with India, prestige etc may have influenced the Pakistan government."[12] It might have been added that a possible consideration was creating the rationale for a plutonium reprocessing operation.

Pakistan reached an agreement to obtain a plutonium reprocessing plant from France in February 1976. Pakistan accepted safeguards upon this plant, which included a special provi-

ion that its design would not be duplicated in any indigenous facility. The deal, however, evoked strong protests in the United States, and pressures were mounted upon Pakistan and France to abrogate the contract. This led France in August 1978, to finally offer a reprocessing plant operated on a different principle termed 'coprocessing' which separates a mixture of uranium and plutonium oxides. The mixture can find use as a fuel in second generation atomic reactors, but it is unsuitable for explosive purposes.[13] Significantly, Pakistan showed no interest in getting a 'coprocessing' separation plant, and the agreement, for all practical purposes, has broken down.

Current interest, however, focuses upon Pakistan's clandestine efforts to obtain uranium enrichment technology using the gas centrifuge process. Various reports in the European and American press affirm that Pakistan has been secretly purchasing components for a gas centrifuge uranium enrichment plant since mid-1977; this was possible through widely-dispersed and single purchase orders placed on West European companies by dummy organisations set up in various European cities. Pakistan is further believed to have infiltrated a nuclear physicist, A Q Khan, into an Amsterdam firm manufacturing ultra-centrifuges for an enrichment plant in Almelo. Having studied the industrial secrets of their process Khan returned to Pakistan, and is reportedly setting up a similar facility at Kahuta near Rawalpindi.[14] Once Pakistan acquires sufficient stock of weapons grade uranium an underground explosion could be set off — presuming that further engineering problems of shape technology for constructing a nuclear device have been overcome.

It would be evident from the foregoing that Pakistan is determinedly pursuing both the plutonium and uranium technological paths towards a nuclear option. For evaluating the time-frame in which Pakistan could explode a nuclear device it is necessary to analyse its plutonium reprocessing and uranium enrichment capabilities in greater detail.

We have noticed that France resiled from its agreement to supply Pakistan with a plutonium reprocessing plant, which could separate weapons-grade plutonium. The designs have been transferred, but it is improbable that Pakistan has the indigenous technology to fabricate the plant earlier than within a timeframe estimated between six and eight years. It is speculated, however, that Pakistan is also setting up 'hot cell' laboratory facilities at PINSTECH to separate small quantities of plutonium.[15] Pakistan has a source of plutonium in KANUPP; the status of safeguards upon this power station being imprecise, it could be worked at reduced levels of irradiation to produce weapons-grade plutonium. Whereas greater attention has focused upon Pakistan's attempts to secure a uranium enrichment facility, due to its sensational features, the likelihood of plutonium being used for explosive purposes cannot be ignored.

An evaluation of Pakistan's ability to establish a gas centrifuge uranium enrichment facility must take account of the technological sophistication required in this process. The scientific principle utilised is that separation of molecules of different masses is possible when they are rotated at high velocities in a cylinder. To separate U-235, natural uranium is converted into uranium hexafluoride (UF_6), which is in gaseous form: when rotated at high velocities in a cylinder, the heavier U-238 component collects on the walls, but the lighter U-235 component remains along the axis. By introducing a longitudinal temperature gradient, a counter current stream is produced, which enhances isotopic separation. The crucial parameter is the angular velocity of the cylinder, which must be around 700 revolutions per second. In turn, this requires the centrifuges to be made of materials having high tensile strength and hardness. Moreover, these centrifuges need to be constantly replaced. A pilot plant of 25 tons SW/year, which could theoretically produce 125 kg of 90 per cent U-235 annually requires at least 3000 centrifuges.

Given Pakistan's rudimentary industrial infrastructure, could she set up a sophisticated enrichment facility with components obtained from abroad? Further acquisitions of nuclear equipment would be difficult because of the world-wide alarm set off by Pakistan's clandestine activities. It is also doubtful if A Q Khan was, indeed, able to get any vital information regarding the Almelo process, considering the tight security to be expected around such plants.[17] This is quite apart from the problem that, even if design data was purloined, it would require engineering resources of a high order to establish a sophisticated enrichment plant. Since it is unclear what components have been obtained in what quantities, and what equipment is yet to be acquired, it is difficult to assess when this facility would start production.

The foreign assistance Pakistan could receive to establish plutonium enrichment or uranium enrichment capabilities gains salience in this milieu. There have been, for instance, persistent reports that China is assisting Pakistan in the nuclear sphere. Exchanges of scientific delegations, including nuclear scientists, have taken place over the years. It was also reported, in June 1978, that China had offered Pakistan a reprocessing plant during Vice-Premier Keng Piao's visit to Islamabad. It seems unlikely, however, that China would extend any significant nuclear co-operation to Pakistan. Apart from reducing Pakistan's political and military dependence upon China, such a move would encourage India to embark upon a military nuclear programme; neither development suits China's overall strategic interests or objectives.

Then, there are reports about Libya's support to Pakistan's clandestine efforts to seek nuclear capabilities.[18] A sum of $ 30 m was reportedly pledged by Colonel Gaddafi to help Pakistan obtain an enrichment facility. The Saudis are also believed to view a Pakistani bomb as a useful deterrent against Israel. Support to Pakistan from either Libya or Saudi Arabia could only be financial, but, it is speculated that Libya could procure enriched uranium from covert sources for Pakistan. The argument proceeds that sizeable quantities of fissionable material are unaccountable in the United States; since Israel has acquired weapons grade uranium in the past, so could Pakistan.[19] A link between Libyan finances, blackmarket uranium and Pakistan's scientific capabilities is, indubitably, possible. But, its likelihood can hardly be rated high. In essence, therefore, Pakistan must derive its nuclear capability unaided in the technological sphere by other countries: external financial assistance for this purpose cannot be conclusively established, nor is it of any particular relevance.

An evaluation can now be attempted when Pakistan could explode a nuclear device. It is evident that reports of an imminent explosion are unduly alarmist. Estimations by US officials place Pakistan three to five years away from the bomb, whereas India believes

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Desirable:— (i) Membership of the professional institute of Town Planners; and (ii) Specialisation research experience in certain areas/subjects in Town and Country Planning. OR

Essential:— (i) Bachelor's Degree/equivalent professional qualification of a recognised University/Institution in related disciplines of Architecture/CivilEngineering; Or Master's Degree or equivalent Post-Graduate qualification of recognised University/Institution in related disciplines of Geography/Social Science/Law etc., (ii) Master's Degree/equivalent Post-Graduate professional qualification of a recognised University/Institution in Town and Country Planning. (iii) Independent professional/published work of high standard; and (iv) At least 10 years experience in professional/teaching/research work, in a faculty/responsible position in Town and Country Planning, with abilities to conduct and guide research and/or undertake design/development work. Desirable:— (i) Membership of the profession Institute of Town Planners; and (ii) Specialisation/research experience in certain areas/subjects in Town and Country Planning.

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his period could be shorter.[20] Taking ccount of all relevant factors it ppears that Pakistan could have ex-losive capabilities after two or three ears. This time-frame is admittedly peculative: the direction of Pakistan's uclear programme, however, is un-istakeably towards acquiring military apabilities.

It is possible that Pakistan may vish to develop a nuclear explosive apability *in situ*, and not demonstrate t through a nuclear explosion. In this ashion, Pakistan could hope to create trategic uncertainty regarding its recise nuclear status at any point in ime and deter likely adversaries from aunching military action against it, est a nuclear threat be unveiled. The osture would resemble that currently dopted by Israel to ensure its security — convey an impression of either aving secreted a bomb-in-the-base-ent, or of having the capability to levelop a bomb-at-short-notice. In ither situation the strategic un-ertainty infused in the minds of ikely adversaries acts as the deter-ent, rather than the presence of visible uclear arsenals. The advantage to akistan in pursuing such a posture vould be that, apart from strategic ncertainty created, no provocation vould be provided for India to develop vert military nuclear capabilities. akistan could not be unaware of the olitical pressures that would accrue pon any Indian Government should akistan explode a nuclear device. It emains to be seen whether Pakistan's nilitary rulers would follow such a ophisticated policy, or prefer the mmediate and obvious political advan-ages of a nuclear explosion.

Indian Options

India's nuclear options can be dis-cussed against this backdrop. Its uclear capability was demonstrated y the Pokharan explosion, and there s little doubt that India's nuclear and pace programmes could develop a iscreet nuclear deterrent. It is not roposed to describe here India's pre-ise capabilities in this direction.[21] ut, attention must be focused upon ndia's nuclear posture, and its options o counter the Pakistani nuclear threat. crucial dilemma, however, confronts ndian policy makers. After the okharan test, Canadian bilateral ssistance for India's on-going atomic nergy programme ceased; US sup-lies of enriched uranium for Tarapur ere only obtainable with increasing difficulties. Soviet heavy water for the Rajasthan power reactors was only available on stringent terms; and French assistance for the Kalpakkam experimental fast breeder reactor ran into difficulties. In short, nuclear technology, materials and equipment would be available to India in future only if it agreed to place its nuclear programme under international supervision. India perceives such pressures as eroding its national sovereignty; acceptance of these safeguards would moreover prejudice the nuclear option. The choices before India are clear — to retain the option, but accept a slowing down of the atomic energy programme; or foreclose the option to obtain international nuclear assistance for accelarating the nuclear energy programme. The former choice has thus far been exercised, and it is doubtful if any Indian government could have found it politically feasible to accept fullscope safeguards and foreclose the nuclear option.

Nevertheless, there have been shifting nuances in India's nuclear policy after the Pokharan explosion. Indira Gandhi affirmed that India would not manufacture nuclear weapons. At the same time, India's traditional opposition to signing the Non-Proliferation Treaty on grounds of its discriminatory nature was re-emphasised. The right to conduct peaceful nuclear explosions was kept open: Indira Gandhi stated that a second test would be conducted "when the need for a peaceful experiment is established".[22] The Janata government's nuclear policy as revealed by Morarji Desai's many statements suggested a more forceful reiteration of the no-weapons posture; India would not manufacture nuclear weapons under any circumstances, including Pakistan's testing of a nuclear device. However, India's objections to signing the Non-Proliferation Treaty were reiterated; also, India's unwillingness to accept international inspection upon its entire nuclear programme. A significant departure was, however, made from earlier policy by conceding that peaceful nuclear explosions would not be conducted. There was some back-tracking on this question after Morarji Desai drew a distinction between "blasts" for developmental purposes and "explosions" for scientific purposes; only the latter were held impermissible. During his Independence Day speech as Prime Minister, Charan Singh declared that India would reconsider its no-nuclear-weapons policy if Pakistan continued its efforts to make such weapons — a point reiterated by his Defence Minister, C Subramaniam.[23] It is apparent that the declared policies are veering towards eroding India's traditional nuclear posture. It is also apparent that Pakistan's attempts to acquire nuclear status has influenced these changing nuances.

Before examining the nuclear options before India, it is worthwhile evaluating the American responses. President Carter's commitment to non-proliferation explains US concerns to prevent the creation of a nuclearised South Asian region. US efforts to persuade India to accept fullscope safeguards — in effect, place all its nuclear facilities, including those which can be utilised to make nuclear explosives under international inspection — are partly guided by, desire to constrain India's drift into nuclear status, and partly to convince Pakistan of the irrelevance of its acquiring nuclear weapons. Since India has not accepted this abridgement of national sovereignty, the United States was apparently considering a pre-emptive strike upon Pakistan's nuclear installations. Both Israel and India were consulted, according to a recent report in the *New York Times*. These speculations might be tendentious, but they offer a valuable insight into the depth of US concerns.

Apart from such efforts the United States has sought to implement a policy of rewards and punishments to influence Pakistan. Kissinger had offered 110 A-7 aircraft to Pakistan in 1976 to persuade it not to acquire the plutonium reprocessing plant from France. When that effort failed, food aid continued, but economic aid was stopped. This was resumed in September 1978 after the reprocessing plant deal broke down. But, more recently, in April the US administration announced reapplication of economic sanctions against Pakistan to punish it for embarking upon its uranium enrichment project. This has included private American investments, aid from international lending institutions and refusal to reschedule debts.

At the same time, it is realised that basic insecurity explains Pakistan's search for nuclear status; hence, the restoration of military parity between Pakistan and India could persuade the former to foresake its nuclear ambitions. For this purpose, its demands for sophisticated conventional weaponry might be met by the United

States. Since Pakistan has not shown interest in F-5Es, the advanced F-16s might be offered. These arguments highlight the confusion prevailing in US non-proliferation policies. Apparently nuclear activity in Pakistan was discussed between President Carter and President Brezhnev during their SALT summit meeting in Vienna. The United States also discussed this question with Britain, France, West Germany, Japan and, even China.

From various statements made by General Zia, it is clear, however, that Pakistan is fully determined to proceed with its current nuclear programmes, irrespective of whether it does or does not receive any type of conventional weaponry. In the past, Pakistan refused to reconsider purchase of its reprocessing plant from France despite the bait of A-7 light bombers. There is little reason therefore to believe that Pakistan would suspend work on its uranium enrichment plant, planned through deliberate and clandestine efforts, to obtain F-5E or F-16 fighters.

Pakistan's unequivocal ambitions for nuclear status and her unlikelihood to be deflected by external pressures presents India with two choices.[24]

First, to continue the present atomic energy and space research programmes and deploy larger resources upon those aspects which enhance military possibilities. These include augmentation of plutonium supplies and reprocessing facilities, establishment of uranium enrichment capabilities and missile development. Thereby, India's traditional adversaries — China and Pakistan — would remain on notice. Nuclear and/or conventional threats by them would provide India adequate reasons for embarking upon an overt military nuclear programme within continually shortening time-frames. Such a policy has the advantage of also addressing the nuclear weapons powers to either restrain Pakistan, or take credible steps towards nuclear disarmament, demystify the mystique of nuclear weapons, and reduce incentives towards their acquisition by potential nuclear candidates. Otherwise, India, too, would traverse the nuclear path. This policy, whilst having distinct political advantages, involves low costs and low risks to India.

Second, India could straightaway embark upon an upgraded military programme, and use its existing capabilities to manufacture air-deliverable atomic bombs and nuclear-armed surface-to-surface missiles. At the same time, the nuclear energy and space research programmes could be reoriented towards acquiring thermonuclear capabilities, and ballistic missiles of increasing ranges and accuracies. In essence, the size and sophistication of the nuclear arsenal manufactured would be limited only by technological and economic restraints, and not by political inhibitions. In view, however, of the high costs and high risks of pursuing such an untrammelled policy, the second option might appear unjustified at present. But, it could be forced upon the Indian Government by the emotional upsurge following Pakistan's clearer demonstration of nuclear capabilities.

Notes

1 Interview to G H Jansen, *The Stateman* (New Delhi), August 23, 1979.

2 Z A Bhutto, "If I am Assassinated ..." Vikas, New Delhi, 1979, p 138.

3 Z A Bhutto, "The Myth of Independence" OUP, London, 1969, p 153.

4 "The Near-Nuclear Countries and the NPT", Almquist and Wiskell, Stockholm, 1972, p 26.

5 *Hindustan Times*, May 23, 1974.

6 *Patriot*, June 8, 1974.

7 The problem whether a guarantor nuclear weapons power would risk its own territory and population to protect a non-nuclear power from nuclear attack or blackmail has not been resolved even in the case of Europe. The only multilateral nuclear guarantee of a limited nature provided is by Security Council Resolution 255 of June 19, 1968, which States that aggression with nuclear weapons or the threat of such aggression against a non-nuclear weapon State would create a situation in which the security Council, and above all its nuclear weapon State permanent members would have to act immediately in accordance with their obligations under the United Nations Charter. Some important disabilities of this Resolution are that only the US, the USSR and the UK have joined it. France and China have not; even this limited guarantee is only available to NPT signatories, not to others; since the permanent members of the Security Council are the only nuclear weapon powers they can veto action against themselves by the Council; no fresh commitments beyond that contained in the UN Charter are established. See, J Goldblat, 'The UN Security Council Resolution of June 19, 1968 and the Securit of Non-Nuclear Weapon States' i "Nuclear Proliferation Problems" Almquist and Wiskell, Stockholm 1974, pp 236-41.

8 William van Cleve, 'Nuclear Techo logy and Weapons', in 'Nuclea Proliferation Phase II' (Eds Robert M Lawrence and Joe Larus, University of Kansas Press Wichita, 1974, p 52.

9 For a description of early Paki stani activities in the nuclea sphere see S B Guha 'Pakistan's Atomic Energy Programme', *The Institute for Defence Studies and Analyses Journal*, July 1970, pp 119-25.

10 *The Statesman* (New Delhi), September 28, 1973.

11 *The Hindu*, March 22, 1976.

12 Zalmay Khalilzad, 'Pakistan: The Making of a Nuclear Power', *Asian Survey*, June 1976, pp 586-7.

13 P R Chari, 'Pak-French Nuclear Deal Off: Implications for India', *Strategic Analysis* September 1978, pp 197-200.

14 P R Chari, 'The Pakistani Bomb', *Foreign News and Features* May 16, 1979.

15 *The Statesman* (New Delhi), August 29, 1979.

16 For further technical details see P Boskma 'Uranium enrichment technologies and the demand for enriched uraniam', in *Nuclear Proliferation Problems*, Almquist and and Wiskell, Stockholm, 1974 pp 56-69.

17 For a description of the technical difficulties involved in the gas centrifuge uranium enrichment process see N N Raina, 'Mystery of the Islamic (?) Bomb', *Link*, July 15, 1979.

18 P R Chari, 'Pak Nuclear Intentions and India', *Mainstream*, April 14, 1979.

19 David Burnham, 'The Case of the Missing Uranium', *Atlantic*, April 1979, pp 78-82.

20 *The Statesman* (New Delhi), August 29, 1979.

21 A discussion of India's limitations in this regard may be seen in John Maddox, 'Prospects for Nuclear Proliferation', *Adelphi* Paper No 113, The International Institute for Strategic Studies, London, 1975, pp 17-19.

22 *The Times of India* (New Delhi), March 11, 1976.

23 *Hindustan Times*, August 16, 1979; *The Statesman* (New Delhi), August 31, 1979.

24 For a slightly different argument see D K Palit and P K S Namboodiri, "Pakistan's Islamic Bomb". Vikas, New Delhi, 1979.

Resources Not the Constraint on Health Improvement

A Comment

P H Reddy

IT has often been complained that lack of resources or infrastructural facilities impede development programmes, including health and family welfare programmes. But in his article,[1] P G K Panikar seems to have convincingly demonstrated that it is not the resources constraint but rather lack of proper policies and priorities that acts as an impediment to improvement of health status of people. To prove his point, Panikar compares various indices of health resources and health status of people in Kerala and other states of India. However, caution needs to be exercised when a comparison is made between Kerala and other states.

Kerala is a unique state in more than one sense. As has been rightly pointed out by Panikar, literacy rate is much higher in Kerala than in other states. Educated people tend to be conscious of their rights and duties. Educated people in Kerala perhaps demand services from various health institutions and maintain good environmental sanitation and personal hygiene and thus maintain a better health status. Similarly, educated parents in Kerala perhaps know better infant and child feeding practices and thus reduce infant and child morbidity and mortality.

Another unique feature of Kerala, which has not been mentioned by Panikar and which, in my opinion, is very important, is the spatial distribution of its population or, more specifically, proportion of people living in settlements of different sizes. Table 1 presents the percentage of rural population to total population and percentage of rural population living in villages of various population size classes in different states. Although the Table is self-explanatory, one important observation needs to be made. Though about 84 per cent of the people in Kerala are classified as living in rural areas, more than 83 per cent of the rural population lives in settlements each with a population of 10,000 or more. In no other state does such a high proportion of population live in such large settlements.

Such distribution of population as in Kerala has distinct advantages for the provision and utilisation of health services and consequently for the maintenance of a better health status. It is well known that according to the Government of India pattern of health and family planning, one Primary Health Centre (PHC) is provided for every 80,000-100,000 population and one Sub-Centre (SC) for every 8,000-10,000 population. This means that in Kerala there is by and large one PHC for every 8-10 villages located in a compact area[2] and one SC for almost every village, whereas in other states there is one PHC for every 80-100 villages spread over a large area and one SC for every 8-10 villages. Now it is not difficult to realise that when a health institution is nearer to the people, it is easier for both the people to utilise services and for medical and para-medical personnel to visit and provide services to the sick, expectant mothers, infants and toddlers in their homes. Panikar himself comes very close to this point when he says, "In Kerala, a high proportion of deliveries are conducted in hospitals or other institutions. This is facilitated by the presence of a comparatively large number of hospitals, public and private, and *located within easy reach of the rural people*".[3] It has been demonstrated that maternal and child health, and family planning services are better provided and utilised in villages close to PHCs and SCs than in remote villages.[4] Even the high literacy rate and better enrolment rates in schools in Kerala can partly be attributed to the unique spatial distribution of population.[5]

Table 2 presents the values of three indices of health status of people, namely, crude death rate, death rate among children under five and infant mortality rate, in different states of India. The values of the indices are taken from Panikar's article. Comparing Tables 1 and 2, it may be observed that Kerala has the lowest values for all the 3 indices and has the highest proportion of rural people living in large settlements each with a population of 10,000 or more. For reasons mentioned earlier, there is reason to believe that the two factors, namely, health status of people and proportion of people living in settlements of different sizes are related. In order to have a clearer understanding of the association between the two factors, co-efficient of correlation (r) is used.

TABLE 1 : PERCENTAGE OF RURAL POPULATION TO TOTAL POPULATION AND PERCENTAGE OF RURAL POPULATION LIVING IN VILLAGES OF VARIOUS POPULATION SIZE CLASSES IN 1971 BY STATE

State	Rural Popn as Per Cent of Total Popn	Upto 199	200-499	500-999	1,000-1,999	2,000-4,999	5,000-9,000	10,000+
Andhra Pradesh	80.65	1.37	4.25	11.40	26.11	40.80	13.29	2.78
Assam	91.61	4.25	16.86	31.21	30.50	15.80	1.30	0.08
Bihar	89.96	3.62	13.46	21.29	25.50	25.15	8.77	2.21
Gujarat	71.87	1.23	7.89	19.78	31.70	29.94	8.37	1.09
Haryana	82.22	0.82	6.00	16.80	28.56	35.13	11.49	1.20
Jammu and Kashmir	81.74	5.37	19.65	28.90	27.83	16.58	1.67	—
Karnataka	75.69	2.40	12.31	22.67	28.45	26.28	7.46	0.43
Kerala	83.72	—	0.01	0.03	0.15	2.60	13.74	83.47
Madhya Pradesh	83.74	6.22	26.10	32.83	22.73	10.26	1.53	0.33
Maharashtra	68.80	1.58	9.10	21.80	29.40	25.87	9.44	2.81
Orissa	91.73	8.89	24.89	30.61	23.69	11.12	0.68	0.12
Punjab	76.20	1.93	11.12	24.76	31.84	25.44	4.69	0.22
Rajasthan	82.39	4.42	17.37	26.02	25.89	20.69	5.07	0.54
Tamil Nadu	69.72	0.36	2.45	8.89	22.71	40.99	17.06	7.54
Uttar Pradesh	86.00	3.72	15.48	26.45	29.00	20.05	4.38	0.92
Mean	81.07	3.30	12.46	21.56	25.60	23.11	7.26	7.41
S D	7.38	2.40	7.77	9.12	7.64	10.99	5.09	21.98

Source : (1) Census of India, 1971, Provisional Population Totals, Paper I of 1971 – Supplement, R G Office, Delhi, 1973.
(2) Census of India, 1971, General Population Tables, Series 1 – India Part II-A(i). R G Office, Delhi, 1975.

TABLE 2 : CRUDE DEATH RATE, DEATH RATE AMONG CHILDREN UNDER FIVE AND INFANT MORTALITY RATE BY STATES, RURAL

State	Crude Death Rate (1972-75)	Death Rate among Children under Five (1968-70)	Infant Mortality Rate (1968-69)
Andhra Pradesh	16.93	47.13	118.95
Assam	17.68	46.67	137.90
Bihar	16.05	36.60	152.40*
Gujarat	16.05	71.90	146.85
Haryana	12.93	34.20	79.00
Jammu and Kashmir	12.05	39.03	115.00
Karnataka	13.38	46.45	102.95
Kerala	8.65	24.03	61.40
Madhya Pradesh	18.63	62.50	141.40*
Maharashtra	13.73	45.10	101.20
Orissa	18.45	59.60	133.70*
Pujnab	12.25	37.00	99.15
Rajasthan	17.28	77.50	162.65
Tamil Nadu	16.98	53.70	112.50
Uttar Pradesh	23.00	86.43	179.05
Mean	15.60	51.19	122.94
S D	3.49	17.43	31.84

*Figure relates to 1970-71.

TABLE 3 : CORRELATION CO-EFFICIENTS BETWEEN THE PERCENTAGE OF RURAL POPULATION LIVING IN VILLAGES OF DIFFERENT SIZES AND HEALTH INDICES

Size of Villages	Crude Death Rate	Death Rate among Children under Five	Infant Mortality Rate
Upto 199	0.0400	0.7846	0.1590
200—499	0.4758	0.4093	0.5714
500—999	0.4845	0.4279	0.5906
1,000-1,999	0.4012	0.3576	0.4436
2,000-4,999	0.0978	0.0260	-0.0335
5,000-9,999	-0.3308	-0.3276	-0.4827
10,000+	-0.6342	-0.4922	-0.6218

Source : Computed from Tables 1 and 2.

Table 3 presents the correlation coefficients between the percentage of rural population living in villages of various population size classes and the three indices of health status of people. As can be seen from Table 3, crude death rate and death rate among children under five are positively associated with the proportions of people living in villages upto the size of 2,000-4,999. But they are negatively associated with the proportions of people living in villages each with a population of 5,000-9,999 and 10,000 or more. This means that crude death rate and death rate among children under five tend to be higher among people living in villages upto the size of 2,000-4,999 and lower among those living in villages of the sizes of 5,000-9,999 and 10,000 or more. Table 3 also shows that infant mortality rate is positively associated with the proportions of people living in villages upto the size of 1,000-1,999. But it is negatively associated with the proportions of people living in villages each with a population of 2,000-4,999, 5,000-9,999 and 10,000 or more. This again means that infant mortality tends to be higher among people living in villages upto the size of 1,000-1,999 and lower among those living in villages each with a population of 2,000-4,999, 5,000-9,999 and 10,000 or more. It may also be observed from Table 3 that the negative correlation of all the 3 indices of health status of people increases from the proportion of people living in villages each with a population of 5,000-9,999 to that of people living in villages each with a population of 10,000 or more. This clearly shows that crude death rate, death rate among children under five and infant mortality rate tend to decline as the proportion of people living in larger villages increases. It is, therefore, no wonder that in Kerala, where more than 83 per cent of the rural people live in settlements each with a population of 10,000 or more, crude death rate, death rate among children under five and infant mortality rate are lower than they are in other states of India.

This is not to deny the importance of policies and priorities pursued in Kerala in the maintenance of a better health status of people. It cannot be denied, either, that there are other factors which contribute to a better health status of people in Kerala. One of the other factors, as mentioned by Panikar, is the high literacy rate in Kerala. Another factor is undoubtedly the unique special distribution of population in Kerala.

One suggestion that can be made on the basis of the finding of the present study is that the uniform policy of providing one PHC for every 80,000-100,000 population and one SC for every 8,000-10,000 population needs to be reviewed. India is a vast country with differences in terrain, population density and proportion of people living in settlements of different sizes. One PHC for every 80,000-100,000 population and one SC for every 8,000-10,000 population does not mean the same thing in Himachal Pradesh (not included in the study) where the terrain is hilly and about 85 per cent of the rural population lives in se ments each with a population ran between less than 200 and 500-999, in Kerala where the terrain is p and more than 83 per cent of the r population lives in settlements with a population of 10,000 or m Thus the policy of establishing P and SCs should take into consid tion not only population but terrain and number of settlements be covered by each institution.

Notes

[The author thanks H S Surendra his computational assistance.]

1 P G K Panikar, "Resources the Constraint on Health Impro ment: A Case Study of Kera *Economic and Political Wee* Vol XIV, No 44 (November 1979), pp 1803-1809.

2 Incidentally, population dens is the highest in Kerala.

3 *Ibid*, p 1808, Emphasis added.

4 See A S Chandra Mouli and Guruswamy, "Distance as a Va ble Influencing the Delivery MCH and F P Services", *Jour of Institute of Economic Researc* Vol XVI, NO 2, pp 28-37.

5 See P H Reddy, "Size of Villa Settlements and Educational Dev lopment in India", in J R Rele a M K Jain (eds), "Populati Change and Rural Development India", International Institute f Population Studies, Bombay, 197 pp 149-162.

Indonesian Political Prisoners

NEW statements by Indonesian officia have revived uncertainty as to wheth the Indonesian government will me its commitment to release by the en of 1979 all remaining political prisone who are not to be tried. The relea of some 27,000 prisoners was announ ed after the Indonesian governme said in 1976 that it would free B cat gory prisoners — those who were sa to have been involved in the attempte coup of 1965, but against whom the was not enough evidence to bring the to trial. The Chief of Information Indonesia's Department of Defence sa recently that several dozen "unc operative" prisoners previously held the island of Buru would not be relea ed. Among them were some of Ind nesia's best-known political prisoner including novelist Pramudya Anan Tur and poet Rivai Apin. They we expected to be transferred to anoth prison. According to Amnesty Inte national, the release of well over 1,00 political prisoners had been postpone and that 6,000 places had been prepare in the Nusakembangan Prison, Jav for the transfer of 'hard-core' prisoner

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Conversion or Dismissal?

EVEN though many participants at the Congress (I) Working Committee meeting last week stridently demanded the dismissal of non-Congress (I) state governments, the dissolution of those state assemblies and fresh elections in those states, and even though the Congress (I) claims that it has enough 'moral' justification for it to do unto the Janata what the Janata itself did to the Congress governments in the states after the 1977 Lok Sabha polls, the task of securing control of state governments not under its control presents some unusual problems for the Congress (I). This has become more so after the virtual metamorphosis of the Janata party government in Haryana into a Congress (I) government.

Considering that the legitimacy of the Congress as the 'natural party of governance' was gravely eroded — if not destroyed — in 1977 when the party suffered a rout in the north both in the Lok Sabha polls and the subsequent assembly polls, it is crucial for the party to restore that legitimacy in the so-called 'Hindi belt'. The task has been well begun in Haryana; and in the other states too, the task of replacing the existing non-Congress (I) governments appears quite simple, what with the eminently workable Karnataka and Haryana models handy.

But the Haryana/Karnataka models, while in theory entirely workable, nevertheless pose some problems. Essentially, the problem is one of arriving at a correct mix of 'loyalists' outside the existing assemblies who want the assemblies to be dissloved and fresh elections ordered — only in which event there would be a possibility of their fulfilling their desire for public service — and existing legislators in the states who are willing to be converted to the cause of Congress (I) and who moreover are loth to have the assemblies dissolved and be rudely interrupted in their careers as public servants.

This conflict between existing loyalists and potential loyalists can also serve as the gathering point for factions in the Congress (I) round different centres of power. It is true that just now Indira Gandhi appears supreme and her actions till now do not indicate any apprehension on her part that rival centres of power might emerge. But the emergence of other centres of power is inevitable, given the historical experience of the Congress party; and the fact that the Congress party under Indira Gandhi as has emerged after the recent Lok Sabha polls is quite a different animal from the one that she inherited suggests that such rival centres of power would emerge sooner than expected.

There is yet another aspect to the situation which makes any immediate and drastic action by the Congress (I) towards securing control over the states difficult. The cold figures of voting indicate that the showing of the Congress (I) in the northern states — irrespective of the number of seats the party has won — has been less than spectacular. This is particularly so in the crucial states of Uttar Pradesh and Bihar in both of which the share of the Congress (I) votes has been considerably less than the combined votes of the Janata and the Lok Dal alliance. The 'charisma' of Indira Gandhi too has taken some knocks and the intensive campaigning that she did in Kerala so soon after her Lok Sabha triumph has not prevented the Left Democratic Front under the leadership of the CPI (M) from scoring a significant victory in the Kerala assembly elections. All these factors are bound to induce a mood of caution in the leadership of the Congress (I). But this very caution on the part of the leadership and its more traditional perception of political and organisational problems might turn out to be one of the focal points of factionalism in the party.

While Indira Gandhi can personally take the high road of statesmanship and allow her underlings to like Yashpal Kapoor to freely operate — so strongly entrenched a government as the one in West Bengal has been, perhaps wishfully, threatened with burial at sea in the Bay of Bengal — she will have to do take a decision about the state governments soon. The weapons she has against them are many, and with the adversaries willing to surrender before a shot is fired, the task in itself might not be difficult; but its very ease, and the willingness of her opponents to go over to her, poses some problems which are yet to be resolved.

India-Bangladesh Ties

Playing Big Brother

PRESIDENT ZIAUR RAHMAN of Bangladesh visited India in connection with the UNIDO conference and had two rounds of discussions with Prime Minister Indira Gandhi and the Indian foreign minister. Among the subjects discussed were the Farakka Barrage pact, Indo-Bangladesh border issues and the proposal to link Ganga and Brahmaputra rivers. It is pertinent to review these issues in the light of the change of government in India as well as the past experience.

Farakka Barrage was commissioned in 1975, but it took nearly three years before a pact could be signed between India and Bangladesh. The divergent claims were the following: India claimed that Farakka Barrage was essential to ameliorate the gradual choking of the river Hooghly through siltation which adversely affected the navigability in the Hooghly, thus threatening Calcutta harbour. It was therefore necessary to provide for the flow of 40,000 cusecs of water "throughout the year to reverse the process of the sanding up of the ship route to Calcutta". It was conceded that it would require 15 years to flush the basin of accumulated silt. Dredging, it was asserted, was both expensive and in the long run ineffective.

Bangladesh claimed that the Rs 156 crore Farakka project (begun in 1962) would starve it of the much needed water for irrigation for 20,000 square miles of land on which a third of its 80 million population depend. The flow of the Ganga varies between 2 million cusecs in the wetter months to 55,000 cusecs in the driest. Its requirement during the lean months are for 49,000 cusecs. It claimed that withdrawal of water during April-May would affect winter rice, as well as increase salinity.

Both the governments have tenable arguments to back their claims. But the Bangladesh government especially has strong arguments in view of the 1977 pact and the earlier 1974 protocol. The latter, reportedly, contained secret clauses which entitled the government of Bangladesh to close the barrage unless "agreement satisfying it is reached". (Incidentally, the secret clause also covered India's support for the creation of an intelligence agency in Bangladesh similar to RAW in India.) The Farakka pact of 1977 agreed that, India and Bangladesh would respectively withdraw 2,86,000 and 3,83,750 cusecs between January and March; and between April and May, 1,37,000 and 2,18,250 cusecs.

It should be emphasised here that the problem of siltation of Calcutta harbour has been exacerbated by the failure of the multipurpose Damodar Valley Corporation. It was envisaged that DVC would help in flushing the basin which it has not. The problem was further accentuated by the discriminatory allocation of resources during the Fourth Five-Year Plan period. Calcutta port was given Rs 5.8 crores while Bombay received Rs 58 crores, Madras Rs 20.8 crores, Vishakapatnam Rs 51 crores, Cochin Rs 17.89 crores, Kandla Rs 9.4 crores and Paradeep Rs 4 crores. During this period Calcutta's annual traffic decreased to 7.5 million tonnes from 15 million tonnes. The commissioning of Haldia port, capable of handling bulk carriers and large ships, is expected to complement the Calcutta port. But even Haldia sooner or later may be affected by the problem of siltation.

It was, therefore proposed in 1977 that to increase the flow of water, bring more areas under irrigation and reduce and control the recurrent monsoon floods in eastern south Asia, the Ganga and the Brahmaputra be linked. This involved building of dams and reservoirs both in the Ganga and the Brahmaputra basins. But problems arose between India and Bangladesh over the nature of such an effort. India saw this as a bilateral issue and regarded the rivers as being part of India, whereas Bangladesh suggested a multilateral approach, involving among others Nepal. For Nepal harnessing of river Ganga holds the prospects of river navigation for its trade with the outside world through India and Bangladesh. Experts agree that the long term solution lies in harnessing the vast excess potential of Ganga basin with the co-operation of Nepal as proposed by Bangladesh. They also agree that the most sensible thing would be to create reservoirs (13 to 20) inside Nepal. Indian objections to 'internalisation' of this issue is more political than technical.

The two leaders also discussed the delineation of border near Belonia in Tripura on the river Muhari which frequently changes its course. In 1974 it was agreed between the two parties to demarcate the border in the midstream of the river Muhari taking into account the periodic changes in the course of the river. This is not an insoluble problem, but has become so due to the apprehensions of Bangladesh about Indian intentions. Whereas Bangladesh had ratified the May 1974 agreement despite strong opposition at home, the Indian side has not so far ratified it.

Sugar

Full Circle

APPARENTLY taken aback by the sharp rise in sugar prices, the government suddenly announced reintroduction of partial control on December 17, 1979. The ratio of levy and free sale sugar was fixed at 65:35. The uniform issue price of levy sugar for sale through the public distribution system was fixed at Rs 2.85 per kg. For free sale sugar, the retail price was expected to touch Rs 5 per kg. Government has also imposed restrictions on movement of sugar from one state to another on trade account.

The government allocated 3.70 lakh tonnes of levy sugar to states for the public distribution system for the remaining days of December and for the current month. At the same time 1.60 lakh tonnes were released for free sale. For ensuring immediate supply, the Centre issued an order under the Essential Commodities Act under which licensed sugar dealers were required to declare their stocks as on December 17, and sell immediately 65 per cent to nominees of state governments. The Centre has also notified the controlled price of Rs 280 per quintal as the maximum payable price to industry.

Consequent on the introduction of dual pricing, the rates of duty have also been changed. The revised rates of duty on levy sugar are 8.5 per cent basic and 4.25 additional. The rates for free sale sugar are 15.5 per cent basic and 7.5 per cent additional. The rate of special excise duty remains unchanged for both levy and free sale sugar. The tariff value for levy sugar is Rs 225 and for free sale sugar Rs 307 per quintal. The excise duty on free sale sugar currently amounts to Rs 52.26 per quintal.

The wholesale price of free sale sugar at the time of this writing is Rs 418 per quintal. The highest price of sugar touched in 1977 was Rs 440 per quintal.

Economics

One Sort of Absolute Poverty

A Correspondent writes :

PRESIDENTIAL addresses at annual conventions of academic bodies are generally sedate and scholarly. The elected presidents — usually men of considerable professional standing — use the opportunity to present to their peers the findings of some research or their personal views, aris-

ing out of study and experience, on specific issues. The presidential address delivered at the sixty-second annual conference of the Indian Economic Association held in December last is a deviation from this pattern. It is highly unlikely that anyone delving into the records of previous presidential address to the Association would come up with anything like the one given by Vedagiri Shanmugasundaram at Surat. On reading through the 50 printed pages of the address, there are moments when one begins to wonder if this could be a spoof of sorts, a take-off on the folly of academic reasoning. But no.

There is a certain flamboyance even in the theme, "A General Theory of Change from Poverty to Plenty". The Keynesian flavour is of deliberate choice. For Keynes is a butt of the president's attack. Keynesianism (which he equates with monetarism!), he feels, is irrelevant to this age and country. The delay in recognising this is attributed to "wooden tradition". He also deplores the "preoccupation" with statistics in poor countries. "Bureaucrats have kept the experts under their thumb and politicians in their turn have sent the bureaucrats on wrong scent" (*sic*).

Fair enough. But what do we do about it? We need a new theory of poverty — since "measurement of poverty so far attempted in India has failed because the theory of poverty has not been seriously understood". And on what is the new theory to be based? Drop terms such as wage goods or essential goods or basic goods for these terms are "respectively derogatory, arbitrary and presumptive". Further "we cannot say which are basic goods unless we identify who the people are. Children need chocolates, adult women choose perhaps face powder; and old people want walking-sticks". Instead, the term to be used is Human Needs (HN). Population is to be known as Homo Sapiens (HS). And the reference point is Human Resource (HR). Considerably later in the treatise is the startling statement, "The main cause of poverty is due to irrational emphasis on bureaucratic centralism in India". The implied remedy possibly is to make poverty a state subject!

There is a good deal more in this unconsciously comic extravaganza — fleeting glances at etymology, sociology, philosophy, political theory, econometrics, even autobiography with a list of who was who in Madras academia). There are suggestions for policy-makers as well. Some samples: literacy services to non-literates should be a precondition for obtaining graduation, sports goods production should be part of the activity of full-time workers ("India has had a miserable record in the international sports"), the study of "Legal Economics" should be encouraged — and the pay of judges should be revised!

The finale is a bonus of sorts, with the president bursting into poetry, characteristically ignoring all rules of prosody. In the blankest of verses, he bids "Good Bye to Absolute Poverty". To quote just a few samples:

> ... ...
> Economic vigilance, ceaseless weeding you need, to cultivate plants for those now in penury.
> Tiruvalluvar or Kautilya; Aristotle, Smith or Marx
> ... ...
> Sen, Srinivasan or Shanmugasundarams — in their welfare zeal
> Have but glanced at a general theory of why absolute poverty persists.
> ... ...
> To set to equilibriate Human Resources and Human Needs — HR and HN
> Therein lies the institutional theory to
> End absolute poverty by HN goods in plenty.

If this be an indication of talent in the upper echelons of the Indian Economic Association, "absolute poverty" has yet another dimension.

International Affairs

Powerless Majority

ON January 14, 1980 the UN General Assembly voted (104 for, 18 against and 18 abstentions, including India) on a resolution tabled by 24 non-aligned countries, which called for the withdrawal of Russian troops from Afghanistan. This is the third time in the span of one year that the General Assembly has passed such a resolution expressing its disapproval of outside interference in the internal affairs of a country. Twice earlier in 1979 the General Assembly passed similar resolutions on the issue of seating of Democratic Kampuchea and the issue of outside troops inside Kampuchea. The General Assembly had passed, by an overwhelming majority, resolutions calling for the withdrawal of foreign troops from Kampuchea and voted for the continued seating of the Democratic Kampuchean government. The decision to table the resolution on Afghanistan followed the Soviet veto in the Security Council on a similar resolution. Earlier the resolution on Kampuchea had met with the same fate in the Security Council, again at the hands of the Soviet Union. As General Assembly resolutions only have a recommendatory value and are not mandatory, as are Security Council resolutions, it is certain that the Soviet Union will ignore the latest resolution just as Viet Nam had done in the case of the Kampuchea resolution. This brings out the anomaly in the UN, where majority opinion is consistently rejected by the two superpowers when it affects them adversely.

It is time to question the relevance of letting five nations decide the fate of the world, especially since in most cases the victims are countries in the Third World and the victimiser one of the superpowers. Indeed the majority of the General Assembly members have through their voting expressly stated their approval of the various norms and principles which govern international relations. If there is no such reappraisal there are few other ways to safeguard the sovereignty and independence of countries, especially of the small nations in the Third World, or from avoiding a *fait accompli* situation as in the case of Afghanistan and Kampuchea. This does not of course imply that the General Assembly is undertaking an entirely meaningless exercise in passing such resolutions which are rejected by the superpowers. On the contrary, the members of the General Assembly are in effect expressing their fears of a breakdown of international relations and the emergence of a situation where the fate of countries would be decided by the ambitions and self-interests of the two superpowers. It is, indeed, of great importance that the majority opinion against the actions and policies of the

Annual Number 1980

The 1980 Annual Number will be published in the third week of February. It will be priced Rs 10 per copy, but will be supplied free to subscribers. In view of the Annual Number, there will be no weekly issues on February 2, 9 and 16.

super powers is beginning to determinedly assert itself.

Southern Africa

Helping Their Man

THE return of Joshua Nkomo, the leader of the Zimbabwe African People's Union (ZAPU), to Salisbury from his self-imposed exile in Zambia has not been under exactly propitious circumstances. Two days before his return the Rhodesian security forces had killed seven guerillas believed to belong to ZIPRA, the armed wing of ZANU, in an incident near Lupane in the western part of the country.

But even without this incident, the leaders of the Patriotic Front appear to have enough reasons to worry; and though they have repeatedly demanded that more time be allowed to organise themselves for the polls, the administration in Rhodesia seems to be determined to go through the motions of holding the elections with the greatest of dispatch. They are scheduled to be completed exactly two months from the date of ceasefire — on February 14 for the 20 white seats and during February 27-29 for the remaining 80 black seats.

Perhaps the Commonwealth team which is to observe and report on the conduct of the elections will have more to say on whether elections held under such conditions would be actually free and fair. Meanwhile, more serious problems regarding the ceasefire itself, and the conduct of the Rhodesian security forces have come to surface. Given the fact that the guerillas have been fighting over widely dispersed areas for years now, it was unreasonable to expect all the guerilla forces to promptly arrive with all their weapons at the designated 'assembly points' within one week of the coming into effect of the ceasefire and stay put for the duration of the period before the polls. But despite th tremendous logistic and communications problems faced by the ZIPRA and ZINLA, this requirement has been more than fulfilled.

Nevertheless, the handful of guerillas who might have not been able to reach the assembly point before the deadline have been branded as "outlaws', and the latest incident is only one of the many of its kind that has taken place since the ceasefire formally came into existence.

The Patriotic Front has yet another problem to content with — that posed by the 'auxiliaries', a private army of Bishop Muzorewa who seems to be completely unreconciled to any prospect of the Patriotic Front leaders coming to power in a free Zimbabwe. Not merely has the administration been unable to refute many of the allegations made by the Patriotic Front leaders about the virtual sway that the 'auxiliaries' have been having in rural areas with their activities entirely unmonitored by the Commonwealth Monitoring Force, but the British governor himself has authorised their deployment for maintenance of law and order and for prospective election duties as well.

The most serious problem is of course that of South African troops are still officially stationed inside Rhodesia at the border outpost of Beit Bridge, apart from the fact that a much larger number of South African troops are alleged to have quietly slipped into Rhodesian army uniforms. The spokesman for the British governor has grandly dismissed apprehensions that the South Afican military presence might vitiate the coming polls as "preposterous". Another problem is that of

STUDIES IN SOCIOLOGY AND SOCIAL ANTHROPOLOGY

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political prisoners. According to Amenesty International, about 5,000 persons are still under detention in Rhodesia.

Understandably, the Patriotic Front leaders are feeling bitter about being taken for a ride both by the British government and the Rhodesian administration. But the prevarications of British policy, the actions of its governor in Rhodesia, can be understood if one bears in mind that in Rhodesia, the British government and the local administration have been essentially of one mind. The object, from the beginning, has been to ensure that the guerillas and their political organisation will not reap the political fruit of its military victories. This could be done only by ensuring the political survival of their protege in Rhodesia, Bishop Muzorewa, and every administrative and political device has been employed to assist Muzorewa. But Muzorewa's credibility in Rhodesia is apparently so low that even the decision of the two components of the Patriotic Front, ZANU and ZAPU, to fight the coming elections separately might not bring his United African National Council any political dividends.

LETTERS TO EDITOR

Political Prisoners in Kerala

THE report by Deleep Kumar on political prisoners in Kerala (December 15, 1979) brings out certain facts but is nevertheless distorted. When the Emergency was lifted and MISA detenus were released, there were 150 political prisoners left in the three central jails of Kerala. Out of them undertrial prisoners numbering nearly 100 were acquitted by different courts and were released on different dates from March 1978 to July 1979. Regarding the release of the convicted prisoners, a strong movement was built up after the Emergency demanding the release of all of them. It was at this time that Satya Narayan Singh conspired with Charan Singh and betrayed the political prisoners by asking them to sign bonds for their release. None of the political prisoners were ready to sign bonds. However, one of the prisoners, who had come out on parole, joined the Janata party and made a deal with the state chief minister, A K Antony, for the release of 20 prisoners, including himself, who, he assured the government, would not take part in any activity detrimental to ruling class interests. By releasing these prisoners, the state government tried to keep up a progressive mask while continuing to detain the rest.

In respect of all the cases of the 1968-70 period and the Emergency, the government filed appeals in the High Court. When one appeal, relating to the Kongad case judgment, was taken up by the High Court, one of the prisoners was released. So now there are 29 political prisoners left in Kerala jails.

In his report, Deleep Kumar has tried to use your columns to attack Charu Mazumdar. He says that "the prisoners who are now in jail are those who have differences with Charu Mazumdar". This is completely wrong. This can be established if you send the issue of *EPW* containing Deleep Kumar's report to the two jails so that the prisoners in the jails can themselves react to his claim. In fact, the vast majority of naxalite prisoners in different jails all over India, numbering more than 1,000, uphold Charu Mazumdar's proletarian revolutionary line.

Deleep Kumar also alleges that the *Red Line* is not allowed to reach the prisoners. The fact is that this publication did not come out after its third issue. This reformist publication was gladly given to us in Cannanore jail by the authorities when the present writer was in that jail in 1978. However, publications which uphold Charu Mazumdar's revolutionary line were denied to us.

BABURAJ

January 1.

Flogging and Patching Policy

THIS has reference to G K Raju's comment (December 22-29, 1979) on my report on the Santaldih thermal power station (June 9, 1979). The complaints about the boilers supplied to Santaldih by ACC-Vickers-Babcock are not new. At the commissioning stage, i e, way back in April 1974, the air resisters of a boiler developed trouble and a subsequent fire was largely due to the failure of the boiler. Unit No 1 of Santaldih was handed over to the West Bengal State Electricity Board (WBSEB) in 1975, but, according to reports, during 1974-75 the boiler tubes leaked and got ruptured on more than one occasion. The power situation in West Bengal was not so desperate at that time and so there was no furore over the boiler failure. Once 21 tubes in the reheating section were damaged and at the end of 1975 there was a rupture in C-row. In fact, trouble associated with C-row had been there ever since the boilers were put into operation. The situation is no better today. Babcock's own supervising staff tried to remove the ills, but without success. It would be useful if some light were thrown on why Babcock's own staff failed to manage the boiler which G K Raju thinks is free from in-built defects.

In case of tube leakage and rupture, Babcock officials claimed that the tubes were starved and so blamed the operators. It is difficult to believe that technicians, engineers and workers repeatedly allowed the boilers to run without adequate water supply. In 1975, within a period of two months, two major ruptures of boiler tubes in Unit No 1 were reported.

In Unit No 2, C-row got ruptured in 1976 and at that time Babcock experts discovered that oil-firing was the cause, not water starvation as was said to have been the case in Unit No 1. But total stoppage of oil-firing did not save the C-row. Later, fearing a prolonged shut-down, the Electricity Board used to operate the units without activising the C-row.

Thus it cannot be gainsaid that the boilers supplied to Santaldih by Babcock never worked satisfactorily and have a record of repeated failure. The experience of Chandrapura thermal station has been identical.

After the first boiler disaster in 1974-75 at Santaldih, the WBSEB reportedly carried out metallurgical tests of the damaged tubes, but the report of the tests was never made public. However, workers, engineers and technicians of all grades strongly held the view that the tubes were metallurgically defective and the charges of operational failure were denied by everyone.

Recent reports indicate that more trouble, beyond easy repair, is likely to crop up in the coming months.

TIMIR BASU

Calcutta,
January 19.

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (5.1.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-76
All Commodities	1000	223.2	—0.5	20.0	17.2	—0.1	5.1	2.1	—1.1
Primary Articles	417	208.9	—0.1	15.8	15.5	—1.4	9.7	0.8	—6.6
Food Articles	298	189.7	—0.3	12.3	11.9	—0.7	11.7	—5.1	—4.9
Non-Food Articles	106	199.2	—0.2	14.2	14.5	—4.6	6.1	19.7	—14.6
Fuel, Power, Light and Lubricants	85	295.2	—	22.9	14.2	4.4	1.4	5.3	10.5
Manufactured Products	499	222.9	—0.8	22.9	19.1	0.1	2.2	2.3	1.4

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-76
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	—3.8	—1.3
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2.6
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	—1.9	6.9	—4.7	—13.9

Money and Banking	Unit	Latest Week (4.1.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	24,240	655 (2.8)	3,517 (17.0)	2,382 (10.9)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,237 (10.4)
Net Bank Credit to Government	Rs crores	18,012	1,223	3,806	2,620	1,921	2,449	910	579
Bank Credit to Commercial Sector	Rs crores	29,261	883	4,175	3,928	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,526	—76	511	107	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 11.1.80)	Rs crores	31,085	679 (2 2)	4,970 (19.0)	4,210 (15.7)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	147.5[8]	151.1	147.0	2.8	6.8	5.3	9.8	4.7
Basic Industries **	32.28	166.4[8]	171.5	161.5	6.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	145.8[8]	166.6	157.7	5.6	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	141.7[8]	140.1	131.9	6.2	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	132.0[8]	142.1	142.8	—0.5	10.0	6.8	10.2	—2.1
Durable Goods**	3.41	169.8[8]	159.0	142.5	11.6	7.7	13.3	13.2	—15.3
Non-Durable Goods**	28.11	127.4[8]	140.1	142.9	—2.0	10.4	6.1	9.8	—0.2

Foreign Trade	Unit	Latest Month (Nov 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	395	3,833 (13.0)	3,392	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	601	5,061 (22.8)	4,121	6,764 (12.3)	6,025 (18.7)	5,074 (—3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	—206	—1,228	—729	—1,072	—621	72	—1,222	—1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,833 (2.6)
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (—5.1)	5,616 (3.1)	5,448 (5.3)	5,172 (—15.8)
Number of placements	Thousands	39	274 (0.4)	273 (—3.5)	456 (—2.6)	468 (—4.9)	492 (20.6)	408 (3.0)	396 (—23.3)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes: (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period.

Learning Lessons

Romesh Thapar

THE drums are still being beaten in Delhi, but Indira Gandhi's first actions are not calculated to create confidence even among her followers. While we are still discussing the flood of reports which suggest that the election process itself is getting grievously damaged by money-power, organised split voting, booth captures and the terrorisation of the poorer or minority sections, we were offered a Cabinet of yes-men announced after a deliberate delay of three days because January 14 was auspicious. The next day, Justice Jain of the Special Court was busy dissolving himself as improperly constituted — after, I think, over a hundred hearings.

Of course, the power-conscious Capital is not concerned with the state of the Judiciary — or, for the matter, with its fate. The debate is very much around the key economic ministries of Industry, Steel and Petroleum which remain unfilled. Are they being preserved for the stalwarts allegedly victimised by the Janata party or for "negotiation". Bahuguna remains a shadowy figure, broken in health, embittered and frustrated. The story goes that he was offered Communications — and didn't quite know what they wished to communicate. Actually, report has it that he is being kept as the front man in the party organisation.

With Giani Zail (pronounced by Punjabi as "Jail"!) Singh, we know who is going to pull the strings there, or, for that matter, in Commerce where Pranab Mukherjee presides. Indira Gandhi has always used the PM's Secretariat to guide the Foreign Office, so the sophisticated Narasimha Rao has to re-introduce the old style. The aged Venkataraman in Finance might yet capture the imagination of the business world by "freeing" the economy — that's if the PM lets him. Sachidanand's intellectual level is now the subject of speculation, for there is so much patronage to dispense at Education. The rest will do what comes easily, but what about Vasant Sathe's crown of thorns? He is already speaking about "objectivity" and has been advised by the editorial writers of the daily press to keep off the subject. How can he, because he has to use the press to make positive noises? That's objectivity. Maybe, the advice is good. Don't remind them that they are being used.

The new government has got off to a familiar start. I wonder how many of the new ministerial team really understand that the problems they are going to deal with are the old, unattended ones — yes, dating back to 1972. We have become proverbial non-performers because we refuse to accept a new structure of action, whether in internal policy or external. We seem to lack the courage to crack the *status quo.*

The developments in Afghanistan, leading to the occupation of that land by seven Soviet armoured divisions in a meticulously well-planned swoop, started some kind of cogitation in the mind of Indira Gandhi (presumably because Muslim votes were at stake), but it did not take long for us to be diverted by the idiocies of the US State Department in offering military aid to Pakistan. We are now firmly in support of the Soviet position on Afghanistan. Damn national sovereignties! Damn non-alignment!

The terrible damage that an armaments race will have in our part of the world can easily be calculated. If the Pakistanis are to be equipped to "deal with" the Soviet army (which in itself is an absurd notion) the cost to India of the counter-measures against Pakistani revanchism could begin with an extra outlay of some Rs 1,000 crores for defence. And if the nuclear equations are also accepted with the same alacrity, and there is nothing to suggest anything to the contrary, we should soon find ourselves in a desperate economic fix. Of course, we might discover a bunch of oilfields ...

The search for priorities in this kind of environment is usually an exciting exercise in platitudes. Indira Gandhi knows full well that the long-standing priority is productivity, a work ethic, and management that is not hindered by outdated rules and regulations from performing. But that is a mouthful, and it leads straight to trouble with populist agitators and the organisers of a proletarian elite already pulling in salaries higher than university teachers. To add to the problem, the industrial areas are largely under the control of the militant, no-holds-barred CITU, the trades union arm of the CPI(M) now firmly entrenched in eastern India and well on the way to a similar consolidation in areas of the South.

To this extent, the situation is very unlike the one that prevailed from 1972-75. The INTUC exists only in name. It's a dead horse, and will probably remain so despite the likely official attempts to revive it. But we could see rather short-sighted efforts to "discipline the workers" without providing an effective machanism for settling industrial disputes. It appeals to our simplistic elitism. The debacle of the Janata party's industrial relations bill, under the intelligent supervision of Ravindra Verma, is worth close scrutiny, particularly by the so-called activists of the Congress(I).

There is so much uncertainty and foreboding in the country that any precipitate action against the powerhold of the CPI(M) could crystallise a counter-plan of resistance in the East and the South which, interlocked with tribal and other passions of the poorest of the poor, could set in motion scenarios with disastrous consequences.

These thoughts cannot but form when the newspapers are full of reports of Indira Gandhi and Sanjay Gandhi going a-toppling in the northern states. The earlier effort of Indira Gandhi in the sixties to separate the Central and state elections was a wise and democratic move — which, alas, she sought to negative by placing her yes-men wherever possible. Surprisingly, the coalitionist Janata party did not value this two-level political consciousness and, carried on the wave of the 1977 euphoria, took over the states where the Congress had suffered a debacle. Indira Gandhi seems set to do likewise, unless sensible advice prevails.

The country is exhausted by the meaningless chatter of these elections. Unless a solid bunch of fundamental issues is to be debated, it is best to get down quietly to the job of implementing non-implemented programmes. That's the secret of the CPI(M) operation. Will the Congress(I) learn a lesson from such a master?

January 18.



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R and D-Based Growth

Hansavivek

CHLORIDE INDIA's expansion schemes at Haldia have been delayed due to disruption of communications as a result of last year's severe flood and subsequently due to problems of engaging workers by contractors at site. Work is now progressing fairly satisfactorily and it is expected that the import substitutions project for battery separators will be in operation by early 1980, the 100 per cent export factory by the end of 1980 and the unit for manufacturing industrial batteries during the first half of 1981. Also, work has started on the modernisation of production facilities for automotive batteries at the Shamnagar factory. To meet a part of the cost of expansion projects, rupee and foreign exchange term loans aggregating about Rs 185 lakhs are being negotiated with the financial institutions and banks. For the increased requirements of working capital, the company proposes to issue shortly 11 per cent mortgage debentures for Rs 100 lakhs as rights to the existing shareholders and also to negotiate with bankers for raising the borrowing limits. The company has also received approval from RBI for raising its public deposit level from Rs 1 crore to Rs 2 crores.

The company's research and development centre continues to play an effective role. Research on the application of solar electric power system is continuing and solar powered battery systems developed by the centre have been in operation in a navigational buoy in the Hoogly river and in a light house in the Bay of Bengal at Rosa Islands near the Andamans. The centre is also actively engaged in development of highly complex and sophisticated batteries for special applications. Development of batteries for underwater propulsion is nearing completion and the company will soon be implementing this project at the Chinchwad plant in Maharashtra.

The year ended August last proved to be difficult for the company. It witnessed a phenomenal rise in the price of lead with no reduction in the *ad valorem* customs duty. Price of lead escalated from Rs 9,000 per tonne in the first quarter to Rs 16,400 in last quarter. In addition, there has been an all round cost push covering materials, components, fuel, service, wages and salaries. The finished product prices have been revised upwards in stages without fully neutralising the total cost impact. The company's operations suffered also from interruptions in power supply, input shortages, occasional industrial disputes, dislocation of rail and road transportation, congestion and strikes in ports, and credit restrictions. Considering these adverse factors, the financial results look satisfactory. Both sales and profits have been higher, though margins have declined. Total dividend lowered by a point to 23 per cent on enhanced capital is covered 1.47 times against 1.44 times previously. The new production facilities at Haldia will enhance the company's competitive strength in both domestic and export markets. J Sen Gupta, managing director, feels that given a climate of political stability and a determination on the part of government to put the economy back on the rails, the company should be able to hold its ground. His optimism is based on the fact that the company's products find application in all the vital sectors of the economy — agriculture, mining, power, transportation, communication, defence, etc.

INDIAN EXPLOSIVES has experienced a marked contraction of margins during 1978-79 despite higher sales. Net profit is sharply down at Rs 2.31 crores against previous year's Rs 3.95 crores and dividend reduced by half a point to 10 per cent is short-earned. Production of explosives was adversely affected due to deterioration of power supply and shortage of critical raw materials, mainly ammonia, and unstable industrial relations at the Gomia factory. Total production was 27,100 tonnes representing 75 per cent utilisation of capacity as against 28,397 tonnes in the previous year. Production of detonators increased to 49.4 million from previous year's 44.4 million and that of safety fuse and detonating fuse at 81.6 million metres was about 10 million metres higher than in the previous year. Production of nitrocellulose was severely affected by power cuts and interruptions as well as initial teething troubles. Output of industrial nitrocellulose and blasting soluble nitrocellulose was limited to 302 tonnes. Production of urea at the fertiliser division was 4,05,405 tonnes representing about 90 per cent capacity utilisation against last year's 4,01,866 tonnes. Had there been no shortage of power and naphtha, capacity utilisation would have been significantly higher. Power cut is continuing in UP and there was a 95 per cent cut from November 25 last following agitation by the UPSEB engineers which has since been reduced to 50 per cent from December 2. The company has got a licence for expansion of urea capacity at Panki

ARDC's Research and Development Fund

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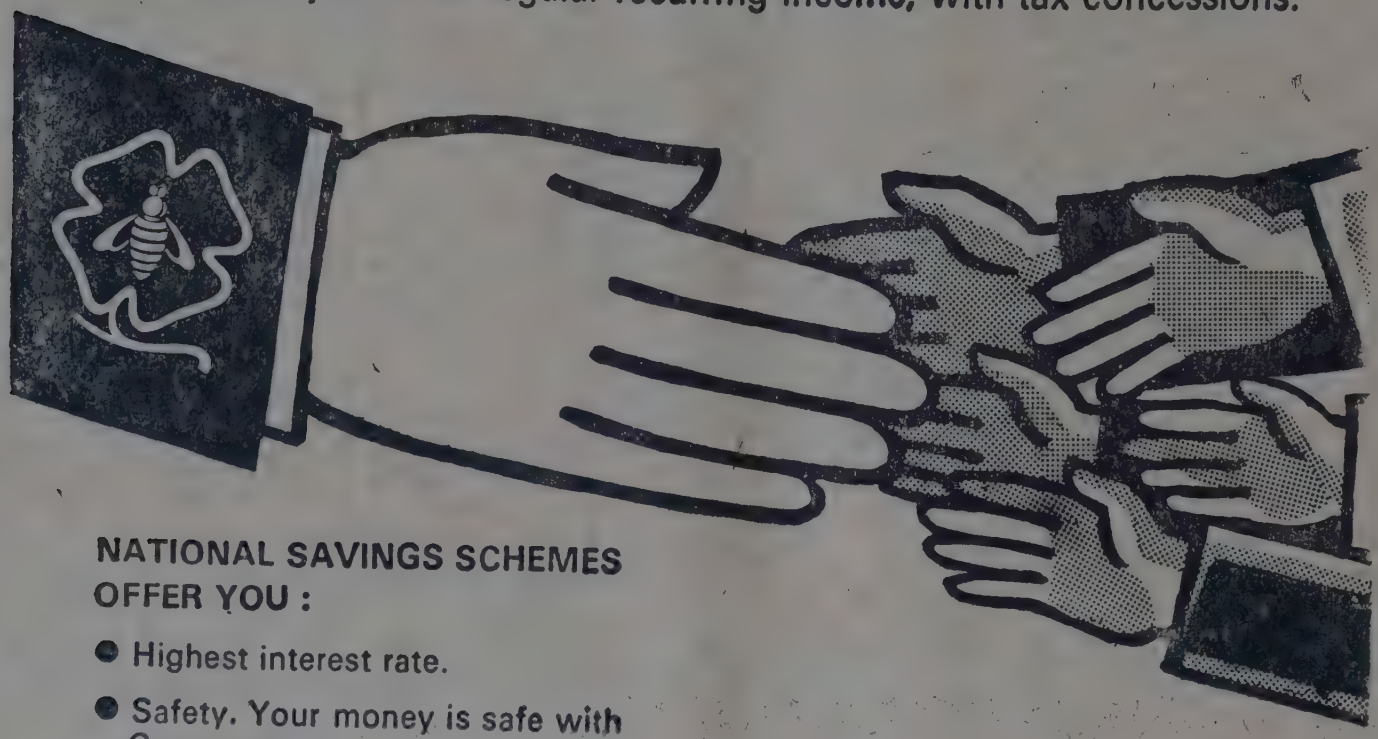
from 4,50,000 to 6,75,000 tonnes per annum. This expansion will also include a captive power generation facility of 10 MW. Collaboration agreements with Imperial Chemical Industries of UK, Benfield Corporation of USA and Toyo Engineering of Japan have been approved by the government. Consent order from the Controller of Capital Issues for issue of partially convertible redeemable rights debentures has been received and letters of offer have been posted to shareholders. Overall implementation of this project is progressing satisfactorily. Government's decision on the company's proposal for manufacturing primary reformation catalyst at Panki is still awaited. The company's plan for modernising the facilities for concentration of nitric acid at Gomia by adopting new process employing magnesium nitrate as the dehydrating agent is in progress.

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NEW DELHI

FICCI's Blueprint

B M

IT is the style of a lobby to work behind the scenes, quietly and with circumspection, at its job of safeguarding and promoting the interests of its clients. A lobby, therefore, is anxious to avoid confrontation with authority. This has been a marked characteristic of the functioning of the Federation of Indian Chambers of Commerce and Industry, so much so that even some of the more impatient and outspoken elements among its constituents in trade and industry have sometimes entertained doubts about its efficacy. Some of them have kept a cool distance from the FICCI, preferring to deal directly with the powers that be on their problems. Under certain special circumstances, however, FICCI has been found to take a more forthright and open position, especially when it has felt that its vital interests are not receiving due attention in policy-making and administration. But, now, after the recent mid-term elections and their outcome, there has been a dramatic change in the stance of FICCI. It has decided to come forth, confident and sure of its position, not to protest against anything done or not done, but to stake its special claims in the new political and government dispensation. FICCI circles do not hide the fact that they are extremely gratified by the results of the elections to which the interests which the FICCI represents contributed to the extent it was within their power to do. They are equally hopeful that the new political circumstances and environment will yield them rich dividends. This mood is best demonstrated by what is called "a minimum programme of economic action" that they have drawn up within days of the installation of the new government and presented to the Prime Minister and other ministers.

The striking feature of the FICCI document is not the presentation of conventional demands about tax reduction and other fiscal incentives. They are there in full measure. A reduction in corporate tax to at least 50 per cent for all companies and in personal income tax to 60 per cent, inclusive of compulsory deposits, has been demanded. There is also the usual demand for relaxation of controls and for more incentives for investment. But the present document goes much beyond the conventional framework within which the claims and demands of business interests have been normally urged. What it seeks to present is a case for radical change in the economic philosophy and policy which has prevailed for the last three decades — however weak and uncertain their implementation might have been — and to which even the business interests had, by and large, adjusted themselves.

Two basic propositions have been advanced in this context. These are that the very concepts of concentration of economic power and of the public sector occupying the commanding heights of the economy should be abandoned. Now, it cannot be anybody's case that concentration of economic power has been actually prevented or that the public sector has gained or is about to gain the commanding heights of the economy as a result of the last three decades of planned development. But these concepts have been the stock in trade of political articulation of mass sentiment and aspirations and even business interests have not disputed these as desirable objectives, even if they may not be practical objectives. FICCI has now come out boldly and openly to challenge these concepts, presumably because, in the judgment of its leaders, it will be safe and fruitful to do so. Having challenged these concepts, FICCI has also spelt out specific measures that it desires should be taken by the present government.

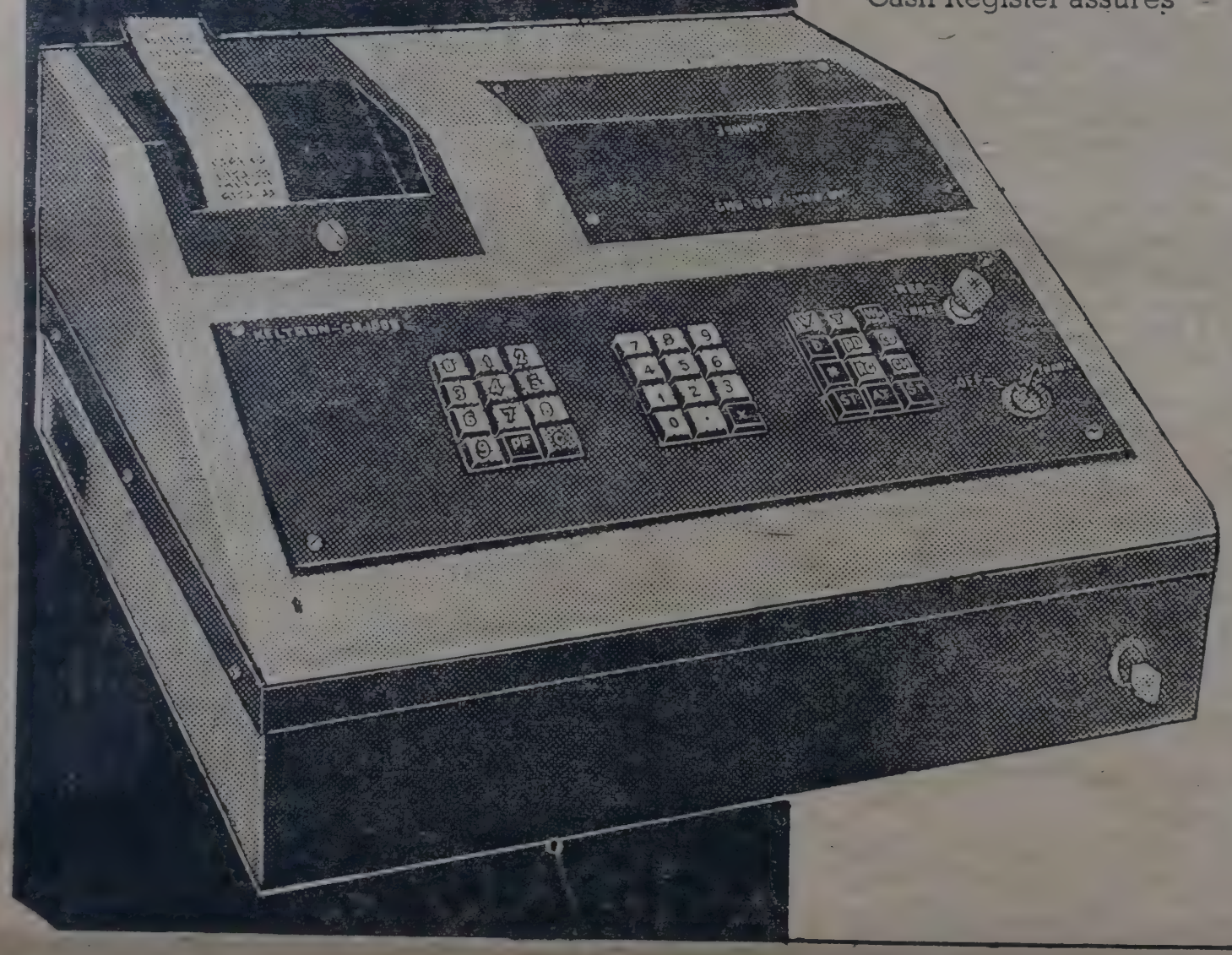
The policy which has been urged with regard to the public sector is promotion of "competitive efficiency" by opening up for private enterprise all industries, including coal, power generation and steel which are at present reserved exclusively for public sector. This is combined with the suggestion that management of some of the public enterprises should be offered to private sector firms on a long-term basis in order to "import new dynamism" in the public sector and, at the same time, a part of the shares of public sector enterprises should be sold to the general public. It is also proposed that the Boards of Directors of public sector undertakings should be given final authority for running them and that they should be composed of representatives of government and private sector.

Urging the abandonment of the concept of "concentration of economic power", again, some specific recommendations are made for overhauling the MRTP Act and licensing policy. There should be only two reservations in respect of licensing — a short list of industries of strategic importance which may be reserved for the government and another list reserving industries for the small-scale sector. For the rest, the licensing system should be scrapped altogether and especially "there should be no licensing for investment over Rs 10 crores, even for large houses".

It is not difficult to see that what FICCI desires is not just adjustments within the present economic policy frame, but its complete recasting which will pave the way for unbridled advance on capitalist lines. Once these changes are made and labour is properly and sternly disciplined, FICCI has no doubt that everything will change for the better and the economy will thrive. The point made in the FICCI blueprint is that all its suggestions will become operational only if labour can be disciplined. It does not mince words on this account: "labour indiscipline has been the root cause of economic malaise". But it is not content merely with severe and stern handling of workers if they resort to agitations of any kind. It also wants clamping of some kind of a wage freeze on the plea that "any increase in total emoluments of workers, including benefits, should not exceed the increase in consumer price index plus improvement in productivity".

Such is the blueprint of capitalist advance that FICCI has put forward. It has been encouraged to do so in the wake of the return of a stable and strong government. It evidently places enough reliance on the political dispensation which has gained ascendancy. What exactly is the response to the FICCI overtures will, of course, be known in due course.

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Widening Gap

THERE has been a steep fall in capacity utilisation in the aluminium industry in recent months, upsetting the earlier calculations of the government about the likely production in the current fiscal year. The Department of Mines had set a target of 2.5 lakh tonnes for 1979-80 on the basis of a capacity utilisation rate of 75 per cent, as against the previous year's output of 2.14 lakh tonnes at 67 per cent capacity utilisation.

The production trend during the first half (April-September) of the current year was encouraging as output rose by 14 per cent to 113,000 tonnes from 99,000 tonnes in the corresponding period of the previous year. However, during the subsequent months production was hit by power cuts imposed on aluminium smelters. Non-availability of power has led to the complete shutdown of the Hirakud smelter of Indian Aluminium (INDAL). The Belgaum smelter of INDAL is receiving only 30 per cent power and the company's third unit at Alwaye is closed due to strike by workers. As a result, overall capacity utilisation in INDAL has dropped to 18 per cent. Hindustan Aluminium (HINDALCO) at Renukoot (UP) is operating at 65 per cent capacity, thanks to its captive generation. The public sector Bharat Aluminium (BALCO) at Korba (MP) is also not getting enough power. Only the fourth unit, Madras Aluminium (MALCO), which is the smallest unit, is operating at its rated capacity as it has a traingular deal with the Tamil Nadu and Andhra Pradesh governments. Under the deal, the two state governments meet MALCO's power requirements in exchange for a certain percentage of the aluminium produced by it.

It is now feared that production of aluminium in 1979-80 may not exceed 1.85 lakh tonnes against the estimated demand of 3.25 lakh tonnes. The gap between demand and supply is thus expected to widen to 1.40 lakh tonnes from the earlier estimate of 75,000 tonnes.

The situation has been further complicated by the rise in prices of aluminium in the world markets, which shot up by nearly Rs 800 per tonne in early November 1979. Since then the prices have further hardened. So far, MMTC has contracted for import of 72,400 tonnes of both EC and CG aluminium ingots. Of this, about 45,000 tonnes are expected to arrive by January-end and another 15,000 tonnes in February and March. In addition, the public sector BALCO has been able to obtain 15,000 tonnes from abroad, taking total availability through imports in 1979-80 to 75,000 tonnes. This will leave a gap of around 65,000 tonnes between estimated demand and availability during 1979-80. MMTC will of course try to contract further imports, but these are not likely to arrive before March-end.

As usually happens when there is scarcity, users have been inflating their demand. The new distribution norms evolved by the Ministry of Steel and Mines in May 1979 had laid down that the entitlement of each consuming unit would be decided on the basis of its capacity and the maximum offtake in any year during the last four years, pro-rated to availability. However, inflated demands and duplication in assessment of demand threaten to play havoc with the distribution arrangements. The requirements of large and medium units in the utensil industry, for instance, are assessed by the DGTD, though they purchase circles from primary producers and other DGTD units. Similarly, units which make components out of aluminium alloys or castings also have their demand assessed. But, over the years, they have farmed out some components to ancillaries whose demands are assessed separately. Thus there is duplication of assessment in the case of these units.

The worst hit are a large number of small-scale units. According to a press note issued by the All India Small-Scale Cables and Conductors Manufacturers' Association, small units which meet the entire demand of the governments and state electricity boards for house wiring cables, receive a mere 2.8 per cent of their raw material requirements under the official distribution arrangements. These units, the Association claims, are, therefore, in a fix whether to bid for tender enquiries worth Rs 42 crores recently floated by various state electricity boards for these types of cables against IDA credits for rural electrification.

Aluminium manufacturers have been quietly jacking up prices of fabricated products in violation of the understanding underlying the new common price formula for ingots. On October 4, 1979, the government had allowed a rise in the prices of EC and CG aluminium ingots as also EC wire rods to compensate producers for the rise in cost on account of the increase in the power tariff. The price of EC ingots was raised from Rs 12,400 to Rs 14,089 per tonne and that of the CG ingots from Rs 12,875 to Rs 14,669 per tonne (all inclusive of excise duty). The fabricators, for their part, had pledged to link the prices of their products with the pool prices of ingots. In the subsequent months, however, producers began complaining that the hike in metal prices allowed by the Centre had not been adequate to compensate them for the rise in other input prices like those of caustic soda, oil, etc. As a matter of fact, Hindustan Aluminium has also filed a writ petition in the Calcutta High Court, challenging the government's price order. While making out a case for a further hike in the prices of virgin metal, the producers have quietly ignored the voluntary understanding about linking the prices of fabricated products to the pool prices of ingots. In the past few months, prices of fabricated products have been jacked up by over Rs 3,000 per tonne.

The producers contend that fabrication costs have gone up — allegedly from Rs 2,000 a tonne in 1975 to Rs 6,000 at present. It is surprising, however, that producers seem to have become aware of this increase only after the government's refusal to grant a higher ingot price. Government could, of course, verify the fabrication costs, but industry is not too keen to have this done. All they want is a government approved price increase for primary metal and complete freedom from official intervention in the pricing of fabricated products. Significantly, the two biggest producers in the private sector have so expanded their fabrication capacity that it is now more than equal to their metal production capacity.

The country now has an installed capacity of 3.40 lakh tonnes per annum, but overall capacity utilisation in 1979-80 is not likely to be more than 52 to 55 per cent. With the power situation worsening, producers have started entering into barter deals with state electricity boards for supply of power in exchange for aluminium, making nonsense of the government's 'rational' distribution policy. The government has itself permitted a number of such barter deals. The

latest in the offing is a tripartite agreement among the Kerala State Electricity Board, the Karnataka State Electricity Board and INDAL.

With the supplies of aluminium becoming scarce in the international markets, all effort is called for to augment power supply to aluminium smelters. According to the aluminium industry, the industry's total power requirements do not exceed 2 per cent of the total power generation in the country. However, the aluminium smelters are located in six states and their power needs vary between 8 and 15 per cent of the power available in each state, depending on the size of the unit. Industry sources also feel that since most of the tax revenue generated from manufacture and sale of aluminium goes to the Union government, the stage governments are not inclined to give priority to the aluminium industry in respect of power supply. The states had broached this subject with the Centre in the past but had drawn a blank.

MONEY AND BANKING

Monetary Expansion Arrested?

THE deceleration in the rate of monetary expansion in evidence in November 1979 continued in the following month. Money supply with the public (M_1) showed a rise of Rs 784 crores or 3.4 per cent in December 1979, compared to an expansion of as much as Rs 1,182 crores or 6 per cent in December 1978 (see Table). Currency with the public rose by Rs 142 crores as against a decline of Rs 7 crores. The expansion in deposit money at Rs 642 crores was much larger than that in currency, but it was substantially lower than the increase of Rs 1,190 crores in December 1978.

It is necessary to mention here that monetary trends in December 1978 are not strictly comparable with those in earlier or later months, because the prolonged agitation by bank employees caused considerable dislocation of banking business throughout the country and led to some abnormality in banking data. It also seems that the banks utilised the opportunity afforded by the backlog of uncleared cheques and adjustment of accounts to window-dress their accounts. This is evident from the large-scale revision of data on bank credit and deposits, particularly those for the last week of December 1978.

The major impulse for expansion in M_1 in December 1979 came from bank credit to the commercial sector which recorded a rise of Rs 741 crores. Reserve Band credit to govenment, which expanded by Rs 468 crores, was the other contributory factor. In contrast to a nominal decline in December 1978, there was net accretion of Rs 122 crores to foreign exchange assets in December 1979.

Owing to the slowing down of the expansion in November and December 1979, the growth of money supply at 9 per cent in the first three quarters of the fiscal year 1979-80 was much lower than the expansion of 14 per cent in the corresponding period of 1978-79. Of the total expansion of Rs 2,054 crores, the share of currency was 31 per cent and deposit money 69 per cent, which were not very different from the respective shares in the previous year.

Among the sources of change in M_1, expansion in net bank credit to the government sector was Rs 1,926 crores and was three times as large as that in 1978-79. Of this, credit extended by the Reserve Bank to the government sector was Rs 1,089 crores. Although credit to the commercial sector continued to be the more important component of expansion in money supply, the expansion in it was about Rs 300 crores lower than that in 1978-79. Food credit accounted for only Rs 490 crores in total bank credit expansion. Non-food credit increased by Rs 3,100 crores and was lower than the expansion of Rs 3,300 crores recorded in the preceding year. Net foreign exchange assets of the banking sector rose by Rs 234 crores compared to the rise of Rs 685 crores in April-December 1979.

Slackness in deposit mobilisation by the scheduled commercial banks has been among the striking features of banking trends during the current fiscal year so far. (It must be conceded, however, that the figure of deposit growth in the corresponding period of last year were affected by the window-dressing referred to earlier.) The rate of growth of aggregate deposits of scheduled commercial banks at 14.2 per cent was markedly lower than the rate of 19.5 per cent in the corresponding period of the previous year. Even in absolute terms, the growth was substantially lower — Rs 3,800 crores as against Rs 4,300 crores last year. Both demand deposits and time deposits contributed in equal measure to the fall in overall deposit growth. In the face of deceleration in deposit growth, bank credit expansion was sustained by banks' borrowings from the Reserve Bank which went up by as much as Rs 253 crores, compared to Rs 26 crores last year. The marginal investments to deposit ratio was 32 per cent against 13 per cent in April-December 1978. Similarly, the incremental credit-deposit ratio was higher at 73 per cent against 69 per cent in the comparable period of 1978. The average credit-deposit ratio of 66.8 per cent was, however, marginally lower than that of a year ago (67.5 per cent).

TABLE *(Rs Crores)*

	Variation in December		Variation in Financial Year	
	1979	1978	1979-80 (Mar 30 to Dec 29)	1978-79 (Mar 30 to Dec 29)
Money supply (M_1) (1 + 2)	+ 784 (+ 3.4)	+ 1182 (+ 6.0)	+ 2054 (+ 9.4)	+ 2554 (+ 13.9)
(1) Curreny with the public	+ 142 (+ 1.3)	— 7 (— 0.1)	+ 642 (+ 6.3)	— 813 (+ 9.4)
(2) Deposit money (demand deposits with banks and other deposits with RBI)	+ 642 (+ 5.2)	+ 1189 (+ 11.5)	+ 1412 (+12.0)	+ 1741 (+ 17.0)
Sources of change				
Net bank credit to government	+ 480 (+ 2.9)	— 18 (+ 0.1)	+ 1926 (+ 12.5)	+ 647 (+ 4.8)
Of which RBI's net credit to government sector	+ 468	+ 67	+ 1089	+ 358
Bank credit to commercial sector	+ 741 (+ 2.6)	+ 1656 (+ 7.1)	+ 3512 (+ 13.9)	+ 3854 (+ 18.2)
Net foreign exchange assets of banking sector	* 122 (+ 2.2)	— 8 (— 0.2)	+ 234 (+ 4.3)	+ 685 (+ 15.4)

Note : Percentage changes are shown in brackets.

The Emergency and Oath of Secrecy

A G Noorani

JUSTICE T P S CHAWLA's judgment delivered on December 28, 1979 quashing the prosecution of Indira Gandhi and Pranab Mukherjee for refusing to testify before the Shah Commission discusses a large number of legal issues concerning the jurisdiction and procedure of Commissions of Inquiry under the Commissions of Inquiry Act, 1952, and is now under appeal before the Supreme Court. However, 50 of its 347 pages raise issues of public importance transcending the facts of the instant case. They concern the judicial review of the exercise of emergency powers and whether the oath of secrecy affords protection from accountability before a tribunal to a Prime Minister who is charged with exercising the powers mala fide. They concern, in short, the maintenance of the rule of law, the very basis of civilised government.

There is no easier way to subvert a democratic Constitution than to abuse the emergency powers it confers. Justice H R Khanna drew pointed attention to this two years before the June 1975 Emergency, in his judgment in the fundamental rights case, citing the example of the Weimar Republic. It would be shocking, indeed, if the law were powerless to unravel the truth about so gross a malfeasance once the democratic processes are restored.

Only a Commission of Inquiry can do so for it is very much a legal function. It is not "tantamount to referring 'political' questions for inquiry by the Commission", as the learned Judge suggests, but a legal issue as to whether on the evidence then available any Prime Minister could have honestly advised the President to proclaim an emergency.

Precisely such a matter was referred by the British government to a Committee of Inquiry headed by Justice Devlin following allegations in Parliament that the proclamation of the state of Emergency in Nyasaland (Malawi) on March 3, 1959 by the governor, Sir Robert Armitage, had been made "under pressure" from the Federal Prime Minister, Sir Roy Welensky.

In view of the persistent advocacy of violence, the Devlin Report found the proclamation of Emergency to be justified but rejected the charge of a "murder plot" levelled in the White Paper against the Nyasaland African Congress. It "exposed some deficiencies in the White Paper" and criticised the security forces for using "illegal force" and making "unnecessary arrests". The Report characterised Nyasaland as "a police State", though temporarily, where it was "not safe" to support the Congress and "unwise" to criticise the government.

This is precisely the kind of work the Shah Commission did. It considered the evidence of Siddharth Shankar Ray, Om Mehta, Brahmananda Reddy, the civil servants concerned and the President's aides as well as the documentary evidence such as Indira Gandhi's letter of advice to the President. The Director of the Intelligence Bureau, told the Commission that he learnt of the proclamation of Emergency only on reaching his office on June 26, 1975. The IB had not submitted any report to Indira Gandhi suggesting that the situation in the country warranted that step, the Commission found; nor had the Union Home Ministry or the state governments.

Indira Gandhi, however, wrote to the President in the night of June 25 that "information has reached us which indicates that there is an imminent danger to the security of India being threatened by internal disturbance. The matter is extremely urgent" — So much so that it was not "possible" to secure the Cabinet's approval; it would be done the next day. A legal system which is powerless to expose such a fraud on the people and a subversion of the Constitution stands self-condemned.

None of the high officials properly concerned with "danger to the security of India" were taken into confidence. Only the conspirators in the crime were. On February 6, 1978, Indira Gandhi claimed that till Siddharth Shankar Ray suggested to her the imposition of the Emergency in June 1975 she never knew that there was a word like Emergency. While refusing to account for her own role she has no compunctions about throwing the blame exclusively on her colleagues.

Justice Shah had ruled that while in view of the constitutional bars he could not go into the legality of the proclamation of Emergency, the satisfaction of the President or the approval by parliament "it is open to me and it is my duty to go into the question whether the circumstances in which advice was tendered to the President pursuant to which a declaration of Emergency was promulgated or the manner in which such advice was given amounted to an excess".

This view receives fortification from a judgment of the Privy Council on an appeal from Malaysia delivered on December 11, 1978, by some of the greatest English judges living.

In that case the continuance of a security area proclamation was in issue. The law left it to "the discretion of the Yangdi-Pertuan Agong (Head of State) acting in accordance with the advice of the Cabinet." But the discretion is "not untirely unfettered". For, "once he no longer considers it necessary for the particular purpose it would be an abuse of his discretion to fail to exercise his power of revocation and to maintain the proclamation in force for some different purpose."

Like the Indian Constitution, the Constitution of Malaysia made the head of State immune from legal proceedings. "So proceedings would not lie against him, but since he is required in all executive functions to act in accordance with the advice of the Cabinet, mandamus could be sought against the members of the Cabinet requiring them to advise the Yangdi-Pertuan Agong to revoke the proclamation." The law is not powerless to strike down abuse of power.

In India the doctrine of the subjective satisfaction of the President in exercising Emergency powers received a hard knock from the Supreme Court in 1977 when Rajasthan and other states challenged the imposition of President's rule on them. All but one of the five judges ruled that the action could be challenged on the grounds that it is "mala fide or based on wholly extraneous and illateral grounds". The problem is one of proof. The mere inadequacy of grounds will not vitiate the proclamation so long as the grounds are germane. But, as Justice Bhagawati remarked, "merely because a question has a political colour, the Court cannot fold its hands in despair and declare 'judicial hands off' ".

The provisions relating to the proclamation of Emergency (Art 352) and imposition of President's rule (Art 356) occur in the Chapter on "Emergency Provisions" and hinge on the President's satisfaction. Indira Gandhi had both these articles amended during the Emergency with retrospective effect to make the satisfaction "final and conclusive" and unchallengeable "in any court on any ground". The 45th Amendment, adopted last year, removed these bars. However, Justice Fazal Ali ruled that the "stamp

of finality" did not imply "a free licence to the Central government to give any advice to the President and get an order passed on reasons which are wholly irrelevant or extraneous or which have absolutely no nexus with the passing of the order".

Justice Chawla's analysis of the Supreme Court's judgment is patently wrong. "It is true that some of the judges did say that the proclamation could be challenged on the ground that it was mala fide." It is a quaint way to describe a view emphatically expressed by four of the five judges with only one Justice Chandrachud, silent on the point. Justice Chawla proceeds, "They accepted this proposition as a theoretical possibility but added that it was hardly ever likely to happen in practice".

This is far from correct. As Justice Untwalia said "I am not prepared to say that this Court, which is the last recourse for the oppressed and the bewildered will, for good, refuse to consider when there may be sufficient materials to establish that a proclamation under Art 356 is tainted with mala fides". Justice Chawla's bald assertion that "no one can sit in judgment over the actions of Parliament" is in the teeth of the express provisions for judicial review in the Constitution.

Ratification of Proclamation of Emergency by Parliament after imprisoning opposition MPs will not protect a Prime Minister who has acted mala fide. Nor will the oath of secrecy be of any avail. The pledge not to "reveal to any person or persons any matter which shall be brought under my consideration or shall become known to me as a minister for the Union except as may be required for the due discharge of my duties as such minister" is very wide and "could hardly be wider", as the learned Judge acknowledges. "Literality must be given second place when such grave constitutional propositions are involved" he rightly observes *apropos* another point. The maxim is very relevant in construing the oath.

The *Crossman Diaries'* case has rendered earlier opinions on this point unsustainable as S A de Smith's work on Constitutional law points out. Justice Chawla quotes them but ignores the effect of the ruling in that case which was to permit disclosure of Cabinet proceedings after weighing the conflicting claims of secrecy and freedom of speech. The Judge strongly relies on an opinion given by Lord Hailsham which the Court did not accept. It said "Some attempt has been made to say that the publication of these dairies by Mr Crossman would have been a breach of his oath as a Privy Councillor, and an echo of this argument is, of course, to be found in Lord Hailsham's words recently quoted. This is, however, not seriously relied upon in the two actions now before me, and the Attorney-General concedes that the present defendants are not in breach of the Official Secrets Acts. It seems to me, therefore, that the Attorney General must first show that whatever obligation of secrecy or discretion attaches to former Cabinet ministers, that obligation is binding in law and not merely in morals".

Justice Chawla's conjecture that the oath was not seriously relied on in *Crossman Diaries'* case "presumably for the reason that he was no longer alive and was not being sued therefore" is as gratuituous as it is groundless. The publication of the Diaries could have been restrained, surely. To aver that "this case does not turn on the oath of secrecy" is to ignore the express reference to the oath and its rejection as a basis for decision.

The Law Ministry rightly opined that the oath applied only to "a case of voluntary or unauthorised disclosure of information and not disclosure of information in pursuance of one's duties or under compulsion of law". Justice Chawla dismisses it with rhetoric: "The need to punish or expose delinquent ministers, who after all are only birds of passage, cannot conceivably justify undermining or causing harm to the Constitution which is more permanent."

If this view had prevailed earlier, none of the Commissions of Inquiry set up since Independence could have performed their tasks. The misdeeds of Pratap Singh Kairon, Bakshi Ghulam Mohammed, Biju Patnaik, Biren Mitra, Hare Krishna Mahtab, Karunanidhi, Bansi Lal, Devraj Urs and a host of others would have remained unexposed. So would have the favours improperly rendered to Maruti by Indira Gandhi and her Cabinet colleagues. In most cases the Commissions received evidence on oath from ministers including the delinquents themselves about state affairs.

Justice J R Mudholkar of the Supreme Court criticised the Bihar Cabinet's decision to withdraw prosecutions for improper ends and expressly ruled that "it could be no defence to him (minister) that the decision which he implemented was that of the Cabinet".

In Britain tribunals of inquiry have, indeed, inquired into the conduct of Cabinet ministers and matters discussed in the Cabinet. In 1936 the Porter Tribunal found that J H Thomas, the Colonial Secretary, had unauthorisedly disclosed information with regard to the budget. The Parker Tribunal was asked in 1957 to inquire into allegations of improper disclosure of information relating to the raising of the Bank Rate. The matter had been discussed in the Cabinet. Among the witnesses who appeared before Lord Denning in the Profumo case were the Prime Minister, eight Cabinet ministers and four other ministers. Ministers gave evidence in the case of Vassall, the Admiralty spy.

In Indira Gandhi's case the oath of secrecy is invoked not to sustain the collective responsibility of the Cabinet but to avoid accountability for its violation and, indeed, of the oath of office.

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Write to: The Editor, **SOCIAL ACTION,** Indian Social Institute, New Delhi 110003

Moment of Truth for MGR

M G RAMACHANDRAN often tends to appear like a political innocent. During the early days of AIADMK his gaffes had been so numerous and so painful that a veteran politician like CPI's Kalyanasundaram had to take him in hand and instruct him in the arts of political manoeuvre and public posturing. Even after some years of hard political experience MGR continues to display occasionally a certain lack of political finesse, as when he dropped Indira Gandhi in the last minute during the Thanjavur bye-election or when he flitted with ease between the Janata and Lok Dal camps in the last six months. It is perhaps this aspect of his, more than anything else, that persuaded Indira Gandhi that she would be better off in the company of Karunanidhi's DMK for the Lok Sabha polls.

That Karunanidhi was equally keen, if not more, for such an arrangement, need not surprise anyone. For that matter, neither he, nor MGR, need be credited with any incipient democratic instinct that was seriously violated when Emergency was imposed in 1975. It so happened that Karunanidhi saw in it a threat to his government and and so was, even if equivocally, ranged against it, even while he made use of its arbitrary powers to settle some personal scores. MGR, for his part, had all along been a very vocal votary of Emergency rule until last December when he suddenly turned anti-authoritarian and fulminated from platforms that if Indira Gandhi was returned to power, there would be no elections for the next 25 years. The Dravidian movement's perception of the authoritarian threat from Delhi has thus been nothing more serious than a reflection of its own internal rivalry.

Politics in Tamil Nadu has traditionallly revolved around the Congress and the Dravidian movement, with the latter reaching ascendancy from the year 1967. The 1967 verdict was an anti-Congress vote and by the mid-seventies it was clear that the ruling DMK had also lost its mandate, with people pinning their faith on its splinter, AIADMK, and its leader, MGR. The 1977 elections gave MGR his opportunity. In addition to the anti-DMK votes, he made a rich haul of his screen image votes as well.

His two and a half year rule has proved to be more disastrous than the DMK rule. MGR stopped repeating his populist election slogans very soon after taking office and, deciding in the manner of Indira Gandhi that his 'charisma' was enough to pull in votes, went about disciplining the workers, students, agriculturists, NGOs, policemen. The developmental achievement of his government has been nil and even the early reputation of a cabinet free from corruption has worn thin with contact men reappearing and the fund collection business back to normal.

Even so, MGR has not yet run out of popular support; and the Lok Sabha election results underscore this particular aspect of MGR's popular image. A close look at the voting figures establishes this, despite the defeat of the AIADMK front candidates in all but two constituencies.

In the Assembly elections of 1977 which AIADMK, DMK, Congress-I, and Janata fought separately, these parties won respectively, 33, 25, 20 and 17 per cent of the votes. Among the smaller parties CPI(M) went with AIADMK and the CPI with Congress(I). The voting clearly placed those four as the significant political parties in Tamil Nadu, in that order.

The result was really a blow to the Janata which thought that it had inherited the Kamaraj mantle and his votes. The Kamaraj votes had, in fact, been slowly gravitating towards Indira Gandhi even during the Kamaraj days, the Congress-I being regarded as a more visible and viable Congress than Congress-O. With the passing away of Kamaraj in 1976 and the lack-lustre leadership of his camp in Tamil Nadu, this process was only further hastened. Post-1977 developments did not help the Kamaraj group, now the Janata, any further. The party became somnolent and the dissensions and splits in Delhi made it impossible to have a strong national leader around whose image the party could build itself.

When the Lok Sabha elections were announced, the balance between the other three parties, the AIADMK, DMK and Congress-I, was such that any two joining together could get the better of the third. The AIADMK and Congress-I combination had a cake walk in the 1977 Lok Sabha elections, bagging 35 out of 39 seats. The present alliance of DMK and Congress-I had thus the ingredients of a winning combination even before the campaign started. MGR faced an uphill task, allied only to the smaller parties like CPI(M), and CPI and the much depleted Janata.

No one had been more alive to this electoral calculus than DMK's Karunanidhi, to whom, as to Indira Gandhi, this election was a life or death struggle. To his advantage were the rupture between MGR and Indira Gandhi following the Thanjavur debacle and the baulking of MGR at the rapacious demand for seats by the Congress party.

Indira Gandhi also saw the situation for what it was; whoever she aligned with, she would be home and dry. As she started playing one against the other to get the maximum number of seats, there was the inevitable move, promoted by the not-so-honest broker, Biju Patnaik, to bring together DMK and AIADMK and deny Indira Gandhi her trump card. But the move came too late, the time too short to overcome deeply held suspicions. In any case, there was no room for two prima donnas in the same camp.

This brief interlude only served to help Karunanidhi along in reaching his goal. For Karunanidhi also, the need was not merely to win himself, but to win with Indira Gandhi's support so that the court cases could be suitably dealt with. This was really a desperate need and to achieve it he was willing to pay the stiff price that Indira Gandhi extracted. Of the total of 40 seats in Tamil Nadu and Pondicherry, Congress-I took 23, leaving only 17 seats to DMK and its smaller allies — a division of seats that flew in the face of any known assessment of the relative electoral strengths of the two parties.

This unholy alliance between the architect of Emergency and its arch victim in Tamil Nadu created certain predictable dissensions inside both the parties. But party politics have been so divorced from ideology and political cadres have become so inured to being used by their supreme leaders, that these dissensions were only minor and were easily contained. Only Nedumaran, Indira Gandhi's hope in Tamil Nadu two years ago, left her fold.

MGR, whose stand in negotiations with Indira Gandhi was that AIADMK would have the major share of seats — as befitted its electoral pull — but would function as a coalition partner of Congress-I in Parliament, hopefully with berths in the cabinet, was taken aback at the skill and speed with which Karunanidhi had beat him to the draw on near surrender terms. Following the logic of his participation in the Charan Singh ministry, he announced

an alliance with Lok Dal, a zero factor in Tamil Nadu politics, but soon after, when Morarji Desai visited him, made a deal with Janata as well. After some prevarication, CPI(M) and CPI also joined him; the latter, after an anxious few days of hovering close to the DMK-Congress-I combine, where Karunanidhi baited them with seats from his 'quota', had to be pulled back in the nick of time by the national leadership of the party.

The campaign, on all sides, was on a low key, with the cadres and people showing a certain weariness. When the day of reckoning finally came, the Karunanidhi-Indira Gandhi axis walked away with 56.4 per cent votes and 38 seats, while the AIADMK-Janata-CPI(M)-CPI alliance won only 2 seats, even if its share of vote was 40.1 per cent. The swing of ten per cent votes away from the AIADMK alliance to the DMK alliance, when compared to 1977, is largerly due to the erosion of Janata votes, having regard to the national swing against that party and particular situation in Tamil Nadu where it had nothing to show for itself except the Kamaraj legacy — a diminishing asset. There has obviously been a certain anti-AIADMK swing as well, but not large enough to give comfort to Karunanidhi.

Karunanidhi's all-too-quiet reaction after the elections epitomises the uneasy balance that now exists in Tamil Nadu. In stark contrast to his usual aggressive style, the most that Karunanidhi could bring himself to say, in the face of an apparently massive defeat for AIADMK, was to admonish MGR to decide for himself whether he should resign or not. Behind this appearance of ultrasobriety lurks a deep concern for what is in store for his party in Tamil Nadu. If an election is called now, he will not be able to turn down Congress-I demands for majority seats, and if he goes alone, MGR will win again; either way, he will not be the chief minister. Predictably, MGR's reaction has been jumpy. He maintained, quoting statistics, that he had not lost his mandate, that he got as much votes in 170 assembly constituencies now as he did in 200 in 1977 — a neat sleight of hand that sidestepped the fact that Janata was with him now and was against him in 1977. In the same breath he went on to expatiate on how he saved Indira Gandhi from Karunanidhi's belligerance, how he fought the special courts bill, how much more natural would have been an alliance between his party and Congress-I and how the possibility of this happening again cannot be ruled out. Overreacting to the situation, the AIADMK General Secretary announced that the party was ready to face assembly polls right now, an offer that Indira Gandhi is not keen to take up.

For Indira Gandhi, the *status quo* is not without its advantages. Karunanidhi is now firmly on her side and knowing MGR, she can be certain that he will jump at her least bidding so long as she lets him stay in power. A Karunanidhi in power may not be that pliable. She may not also be ready to push her luck too far with Karunanidhi or with the electorate right now. There is, thus, in Tamil Nadu, stability of sorts — the sort that Indira Gandhi excels in fostering.

Yet another significant conclusion to be drawn from the polls is that when the AIADMK will face its moment of truth — as it surely must — it is not the left forces to whom the people are going to turn as a credible alternative. The left forces still remain only a small force, changing their alignment with the bigger parties with each passing election. The CPI(M) has been at least consistent in opposing Congress-I at all times, but the CPI has been in all three camps.

In 1967, CPI(M) went with DMK to oppose the Congress while the CPI went it alone. 1971 saw the CPI with DMK and Congress-R while the CPI(M) was alone. 1977 Lok Sabha elections had the CPI aligned with Congress-I and AIADMK, CPI(M) with DMK and Janata on the anti-emergency plank. Hardly three months later, CPI(M) found itself with AIADMK, the CPI, ever so faithful to the Congress-I, with Janata ploughing the lonely furrow in the assembly polls.

By the time the bye-elections came for Thanjavur and Nagappattinam last year, MGR had made himself thoroughly unpopular with democratic sections of the people by his repressive measures, especially his systematic attack on legitimate trade union activity. It was, therefore, easy for CPI(M) and CPI to join hands with DMK and Janata to fight the bye-elections, more so as MGR had gone back to his natural ally, Congress-I. This configuration could have continued for the Lok Sabha elections as well, but for the sudden desertion of DMK.

This put the left parties in a spot and for a while there were brave words of a third front, especially as MGR made a deal to go with Janata. But, for those to whom winning was as important as contesting, the third front did not make sense. In order not to split the anti-authoritarian votes, it was sated, the left parties would go with AIADMK, but would not campaign for the Janata — an unsubtle variation of the national policy of an anti-communal platform. As the campaign got underway, however, discreet instructions were given to party cadres to appear on Janata platforms as well and seek votes for Janata candidates. The bitterest pill for the left party cadres to swallow was, however, to be seen on the side of AIADMK and gloss over its odious attacks on labour, which by no means, have abated.

The next chief minister of Tamil Nadu may very well be from the Congress-I, bringing events to a full circle and leaving the left parties wondering if they ever had a chance to break the circle and had failed to grasp it.

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The Caste Divide

AS

THERE were only two parties in the Lok Sabha elections in Bihar this time: the 'backward' castes and the 'forward' castes. The former were represented by the Lok Dal and allies and the latter by the Congress(I) and Janata. It was the mass urge of the backward castes that the Lok Dal, CPI, CPI(M) and Congress(U) join hands — which these parties did. The mass urge of the forward castes was that the Congress(I) and Janata reach an understanding to avoid a division of their votes — which these parties did not, and hence at the end they tilted towards Congress(I).

Almost all mass struggles organised in rural Bihar in past decades have largely involved the non-upper castes; their aspirations might have varied from the destruction of social hierarchy to economic freedom and bureaucratic power. The Lok Dal, CPI, CPI(M) and Congress(U) could reach a satisfactory alliance in non-tribal Bihar because all these parties had their support limited to the non-upper castes. The recent election was fought along the 'backward-forward' divide, a phrase now commonly used even in the villages to describe the schism between the upper and middle castes arising from the government job reservation controversy.

As for the scheduled castes and the 'other backward castes' (the rural poor forming 40 per cent of rural electorate) they have remained largely unrepresented even in the new Lok Sabha; reports from most of the areas spoke of their being 'chased away' from the polling booths. Where the 'forward' castes formed the landowning community they voted for the labourers; in the villages of backward caste dominance they did the same. In the electoral struggle that involved two sections of the landowning community, the labouring class was kept out of the battlefield so that their support was claimed by one landowning section (forwards) or the other (backwards).

That the tussle was along the 'backward-forward' divide was amply shown by the vote share in non-tribal Bihar (the tribal Bihar, comprising Chotanagpur and Santhal Parganas has a different social and economic system). In this region the Lok Dal and allies polled 35.16 per cent votes, finishing quite close to the Congress (I)'s 37.90 per cent while the Janata came third with 23.47. The sub-regional variations were more startling. In South Bihar (11 constituencies) Lok Dal and allies secured the highest at 35.58 per cent with the Janata getting 30.45 per cent and Congress (I) 30.18 per cent. In North Bihar Lok Dal or its ally was either first or second in 25 of the 29 constituencies where the overall vote share was Congress (I), 44 per cent, Lok Dal and its allies, 36.75 per cent and Janata, a meagre 16.5 per cent.

In many constituencies the 'forward' parties, Congress(I) and Janata, played the trick of nominating a 'backward' with a view to undermining the Lok Dal base. In some constituencies the tactic clicked, like Banka (Madhu Limaye), Madhubani (Bhogendra Jha, CPI) and Bikramaganj (Ram Awadhesh Singh, Lok Dal, who spearheaded the mass agitation of backward castes for implementation of job reservation policy), and others. But the overall picture showed that the backward castes had accorded 'identity' only to the nominees of Lok Dal or its allies. The key instances were Madhepura, where B P Mandal, Janata, the chairman of the All-India Backward Classes Commission, came third, behind the alliance Congress(U) candidate and Barh where the kurmis accorded their caste identity to Dharam Vir Singh, the alliance Congress(U) candidate and not to the Congress(U) candidate, also a kurmi.

In tribal Bihar (14 seats), the Lok Dal could secure a mere 8.9 per cent of the votes while the Congress(I) bagged 34.49 per cent and Janata 26.70 per cent. In this region caste was not the decisive factor. The electoral behaviour varied from constituency to constituency, according to social and economic conditions and agitational forces in respective areas. The major issues were separate Jharkhand state, communalism (both Hindu-Muslim and Hindu-Christian), agrarian disturbances and drought. The results have accordingly been: four in favour of Hindu communalists (all Janata), three to pro-Jharkhand leaders and remaining seven to Congress(I).

Deeper investigations are necessary to find out the factors that helped Congress(I) secure the highest share of votes (36.40 per cent) and seats (30 out of 54) in the state. For the present, the factors appear to be: One, the 'defensive tilt' of the upper castes towards the party with a view to countering the new offensive of the middle castes. This is indicated by pre-election surveys as also the results in the constituencies where both the Congress(I) and Janata nominees happened to be of the upper castes (e g, Begusarai, Jhanjharpur). Two, the Muslim support. Three, the 'positive' aspects of the Emergency. It should, however, be remembered that Emergency's 'positiveness' was a factor influential among a section of the dominant ruling elites, still coming from the upper castes, and not the middle castes. It is interesting to note that the middle castes of Bihar today constitute the biggest 'anti-fascist' force; the abhorrence of Emergency and its leading figures was talked about in the elections only in the middle caste villages. Four, the money and gang power. Five, the discrediting of Janata and Lok Dal as ruling parties.

So far as the shortages, particularly of energy items like power and diesel used in agriculture, are concerned it would be wise not to make any generalisation. If the middle castes are supposed to be the 'kulaks', the power and diesel shortage (and that too in a year of drought) should have infuriated them most. The fact that they did not vote Congress(I) is now by and large established. It was very interesting to find in course of pre-election surveys that while in the 'forward' caste-villages the kisans talked of these shortages there was not a word uttered in the 'backward' caste villages.

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West Europe and Afghanistan

Ramesh Jaura

THE significant difference, in Western view, between the Soviet intervention in Czechoslovakia and Kremlin's invasion of Afghanistan is that while the former was in a neighbouring Warsaw Pact member-state, the latter is in a neighbouring non-aligned developing country. The West is thus willing to openly admit that, despite loud protests nearly a decade ago, for all practical purposes, it does not earnestly challenge the right of a superpower to intervene in a state falling under its tacitly agreed sphere of influence.

This is apparently a realistic view which has contributed towards hindering localised wars from spreading out into a world-wide conflagration, in the last thirty-five years. However, from the point of view of realpolitik, the Russian action in Afghanistan should not surprise anyone. The temptation to fill the vacuum created by the erosion of US power was irresistible.

But there were three additional factors which are stated to have prompted Soviet action in Afghanistan. Prospects for US ratification of the second strategic arms limitation treaty (SALT II) were looking increasingly remote. The West had not responded as favourably as President Brezhnev had hoped to his so-called "peace initiative" launched on the occasion of the thirtieth anniversary celebrations of the establishment of GDR. Then came the NATO decision mid-December to deploy a new generation of American nuclear missiles in Western Europe.

The massive Soviet military intervention in Afghanistan has surely given a shot in the arm to the hawks in the West. They now expect that even the Doubting Thomases will learn to differentiate the white from the black without debating on the varying grey tones at the two ends of the spectrum. This is, however, dangerous self-righteousness.

A view circulating in different West European capitals is that repeated Soviet anxiety abou' arms control talks at several levels was not taken as seriously as it should have been. Instead, Soviet warnings were dismissed as empty threats. Leading West European newsmedia quoted "reliable sources" assuring that Moscow would not resort to any precipitate action. These reports persisted even after Foreign Minister Andrei Gromyko had left no doubts about the Soviet stand, in talks with Bonn government leaders and later at a press conference.

Of course, Gromyko did not talk of a possible Soviet intervention in Afghanistan or elsewhere. But the mixture of matter-of-factness and deep involvement which accompanied his half-an-hour discourse to the international press, should have made it clear that the issue of installation of missiles capable of striking into the Soviet Union had immense significance for the Russians.

Many a "non-aligned" reporter was surprised at the complete omission of parts of Gromyko's statement which sought to convince the West that in case of NATO foregoing — at least postponing — a decision on new missiles, the Warsaw Pact will be willing to come half way to reduce its military strength. These references were left out, apparently on the plea that these were nothing expect a repetition of what Brezhnev had said in East Berlin.

As it turned out later, the omission was deliberate. Soon after Gromyko's unusual press conference, West Germnay's foreign minister Hans-Dietrich Genscher briefed a selected group of correspondents of leading western newsmedia. He is reported to have pointed out that the Soviet foreign minister had had friendly talks with Bonn leaders. His performance at the press conference could therefore not be regarded as anything more than theatrics.

Genscher belongs to the liberal FDP coalition partner and is known for his outspoken anti-communism. Not surprisingly, he has been the target of Soviet attacks for the past many months. However, despite his anti pathy to communism, even Genscher has not pleaded for putting relations with the Soviet Union on ice. In fact, he has emphasised that the process of relaxation of tension should not fall a prey to the Soviet invasion of Afghanistan.

Relations with the Eastern European countries are of great concern to Bonn. West Germany is equally keen to avoid even the remotest impression that it is not prepared to act in concert with the Western allies. That is why the Security Council has stated that Bonn will co-ordinate its actions with the US and other NATO countries.

In fact, two official emissaries belonging to the Social Democratic Party have already had talks in Washington. Early March, Chancellor Helmut Schmidt will be visiting the US for talks with President Carter. Whatever Schmidt might tell Carter and despite Bonn's careful attempts to avoid any criticism of the US at this critical juncture, it is an open secret that West Germany has serious doubts on the manner in which Carter has handled the situation arising out of Soviet intervention in Afghanistan. Bonn is aware that the US President's reaction has been largely guided by the compulsions of the forthcoming elections.

Despite forthcoming national polls in October, Schmidt has however avoided hasty retaliation in the wake of Afghanistan. In fact, he did not interrupt his holiday in the Spanish island of Majorca. Instead he kept to his scheduled visit to Madrid and before returning to Bonn he had talks with the French President Giscard d' Estaing.

The West German chancellor believes in operating behind the scene. In view of his pending visits to Washington and later to Moscow, informed sources did not rule out the possibility of Bonn acting as a mediator between the Soviet Union and the US. In this Schmidt would have the advantage of utilising his own friendly relations with Soviet President Brezhnev, the useful contacts SPD parliamentary party leader Herbert Wehner, former Chancellor Willy Brandt and his aide Egon Bahr have with the Soviet leadership at various levels.

On the whole, the cautious and studied reactions of West German government leaders to the developments in Afghanistan originate from the realisation that the end of detente between the two superpowers will make its presence felt on the Germans in West Berlin and GDR. This anxiety also explains why even the otherwise aggressive opposition leader and chancellor-candidate Franz Josef-Strauss has meticulously avoided the sort of outbursts he is known for.

In short, despite the birth pangs involving an issue which does not permit an easy reconciliation between strict national interests and the obligations West Germany can ill afford to ignore as a crucial NATO member-state, Berlin continues to be nearer and more important to Bonn than Kabul.

Righteous Anger and Non-Intervention

G P D

THE Soviets have begun their long innings in Afghanistan on a safe note. Problems uppermost in the Soviet mind must have been the American and the Chinese response to their liberation-adventure. The Americans, of course, have blown hot and cold. Carter could scarcely do otherwise in an election-year. The Pakistanis have been promised some aid. The Defence Secretary, Brown, has travelled to Beijing. The pompous Brzezinski has as usual taken some time off for semiphilosophical musings on the state of the world. Nothing else has happened. By taking the Afghan problem to the Security Council, the Americans signalled that they were reacting essentially on a low key. The Soviets were going to use their veto against any West-sponsored resolution. And they did. Now the General Assembly has done its own ritual. It has passed a resolution which it has no power to implement. The American response thus has amounted to righteous anger and non-intervention.

The Soviets could not have asked for more. The American anger against intervention has to be naturally bordering on the hypocrisy. Their record has not been exactly free of 'interventions' and things like that. But that is not the point. The two giants must have been by this time quite used to mutual recriminations on this score. It would be scarcely surprising if both of them actually exchange notes on how, for example, to protect their respective embassies in various capitals from anti-intervention demonstrators! After all what use is the detente if such mutual problems are not handled and experience on them exchanged?

Of course, the arms aid to Pakistan will increase. Carter would not get his democratic nomination, let alone the Presidency, if even that did not happen. General Zia would have some new, shining weaponry to play with. But that would scarcely be a problem for the Russians inasmuch as they must have taken that possibility into account before going to Kabul anyway. Besides some American commitment against the Karmal government would be very useful anyway.

The Chinese reaction has been slightly unexpected. Contrary to what Babrak Karmal or his man Shah Mohamad Dost stated in New York, the Chinese reaction has been in operational terms not very hostile. They did not, of course, welcome the Soviet tanks in Kabul. They described the Soviet operation as "military invasion of Afghanistan". They condemned "this hegemonistic action". They laboured the point that "the current Soviet armed aggression in Afghanistan is a big show of Soviet hegemonism". They demanded "the cessation of this aggression and intervention... and the withdrawal of all Soviet armed forces". This is no doubt talking tough. What this brave rhetoric means in real terms is not very clear. The Chinese have not broken off their talks with the Soviet Union. A couple of interesting trade deals struck with the Soviet Union presumably stand. They have talked about "withdrawal" of the Soviet troops. But only twice in their many utterances on the question have they used the adjective "immediate". First it was Zhang Haifeng, a Vice-Minister in the Ministry of Foreign Affairs, who talked of the immediate withdrawal. Later the Chinese delegate to the UN Chen Chu demanded the "immediate" withdrawal. That's about all. Otherwise the Chinese statements a.e very shrill. noisy condemnations showing precious little inclination towards action or involvement.

The same can be seen in the use of the term "social imperialism". Hua Guofeng used it in his talks with the visiting Egyptian Vice-President Husni Mobarak. US Defence Secretary, Harold Brown, was in Beijing at about the same time. Deng Xiaoping did not use this term in his talks with him. It was the Soviet intervention in Czechoslovakia in 1968 which brought this term in official Chinese usage for the first time. The official statement on the Afghan crisis said that the Soviets "have extended the use of the 'theory of limited sovereignty' from their 'community of nations' to a non-aligned and Islamic country of the third world". Here the reference to limited sovereignty quite clearly harks back to 1968 and yet there is no use of 'social imperialism'.

Deng also told Brown that "China and US should do something in a down-to-earth way so as to defend world peace against Soviet hegemonism". Note the words "so as to defend world peace". Normally they should have read "so as to support and strengthen the national liberation movement in Afghanistan" or something like that.

It seems to me obvious from the foregoing that the Chinese are in no mood to get involved in the Afghan imbroglio unless the West in general and the Americans in particular are willing to make a *worldwide* anti-Soviet commitment. Any realistic assessment of the world situation today and more particularly that of the superpower relationship would rule that possibility out. Even that professor turned politician Brzezinski has ruled out reconsideration of detente. The Chinese are thus quoting a price for their involvement which they cannot hope to get. Deng's speech at the banquet to Brown was clear in its message. A partial, local deal is no good. In order to be worthwhile, the deal has to have a global denomination. A very down-to-earth approach indeed! And Deng made no secret of it. He stated his terms. The Chinese would be willing "to do something in a down-to-earth way so as to defend world peace", of course. in co-operation with the United States. The plain fact is that the Americans cannot bite the bait without destroying their dominance in the international system, if not the system itself.

In short, the Sino-American hook up does not seem likely to be a reality. Deng must know this and that's why communication with the Soviet Union has not been broken off. The slow but certain movement towards normalisation between China and the Soviet Union would be slower still. But it is unlikely to come to a grinding halt. The only thing that will bring it to a halt would be if the 'socialists' in Moscow were to decide to extend their areas of liberating operations beyond Afghanistan or to the frontier areas between China and Russia or to Indochina. Comrade Brezhnev is a brave man who does not rule out intervention here, there and everywhere in defence of socialism! So one does not know.

In any case, as the situation stands he has begun his innings in Afghanistan on a safe note. The international situation does not seem to be too perilous. What the Afghans themselves will do is, however, another matter.

Drugs: are we planning for shortages?

Are we in some danger of drug production falling short of demand? Let us examine the trends.

The Government estimates the country's requirement of bulk drugs in 1982-83 at Rs. 625 crores. This is to be met by production within the country (Rs. 475 crores) and imports (Rs. 150 crores).

The production of bulk drugs today is about Rs. 200 crores. Considerable expansion has to take place if the target of Rs. 475 crores is to be met.

The Government's present policy is likely to achieve the exact opposite. Several companies are to be asked to curtail output.

If this is persisted with, production targets will not be met. The gap between production and demand will widen. There will be more shortages.

Our import bill will then go up further. This is in spite of expertise and experience available to produce these bulk drugs within the country.

Cut in production when the need is to increase production:

When more production of drugs is the paramount need, we have the anomaly of drug companies being asked to curtail production. This stems from the Drug Policy announced in early 1978 under which companies whose production exceeded the licensed capacity are to peg their output at the highest level achieved in the three years prior to March 1977.

The Drug Policy is being implemented in 1980. The spirit of the policy demands that a production freeze, if still deemed necessary, should be at the highest level in the three years prior to 1980. This would take into account the normal growth in production brought about by improved processes and practices.

If several units in the industry have to go back to 1977 levels of production, a cut-back of up to 25 per cent in bulk drugs and drug formulations is likely. The current output of formulations is around Rs. 1000 crores. This may shrink to Rs. 750 crores. Which means that Rs. 250 crores of production will just not be available to consumers. There will be further shortages, necessitating more imports.

We can easily make the drugs we are now importing:

Imports are already showing an alarming trend upwards. They rose from Rs. 82 crores in 1976-77 to Rs. 147 crores in 1977-78 (landed cost). With better planning we can cut down our import bill.

The table alongside shows figures of some major bulk drugs imported in 1978-79. It is clear from the table that these drugs are already being produced here. The know-how, the experience and the capability are all available within the country. Yet we are importing these drugs because the existing units are not allowed to expand.

If the objection is to expansion by companies in India with foreign capital participation, how does one justify imports from totally foreign-owned companies abroad?

Today the position is that with all the licences issued put together the production targets set for 1982-83 cannot be met. It would seem that we are planning for shortages.

The issuing of a licence does not automatically ensure production. Monitoring of the progress of licensed units alone will reveal whether the licences are being "converted" into production.

The non-availability of imported raw materials is a major constraint on several units. Government allocations are not need-based and fall short of requirements. The question comes up again: are we planning for shortages?

The policy now being followed has to be viewed against the needs of the country. The Planning Commission has laid down production targets for the Sixth Plan. India is a signatory to the Alma-Ata declaration affirming the goal of primary health care for all by 2000 AD and medicines are a part, however small, of this long-term objective.

Our per capita availability of modern medicines was only Rs. 11 in 1976-77, compared to Rs. 79.2 in Venezuela, Rs. 54.9 in Brazil, Rs. 31.5 in Argentina, Rs. 27.6 in Egypt, Rs. 17.1 in the Philippines, Rs. 15.3 in Thailand and Rs. 12.6 in Pakistan.

Yet we are wasting a valuable national asset—production capability already existing within the country. A more forward-looking policy is urgently called for. We ought to plan for plenty, not for shortages.

Drugs we can easily make in our country are being imported

1978-79 import of major bulk drugs which are also indigenously manufactured

Bulk Drug	Unit	Production	Imports	
			Qty.	Value (Rs. lakhs)
1. ANTIBIOTICS				
Streptomycin	Tonnes	225.0	76.1	280.1
Chloramphenicol	"	95.0	38.5	117.5
Tetracycline	"	244.0	96.5	233.0
Ampicillin	"	10.3	92.0	584.6
				1215.2
2. SULPHAS				
Sulphamethoxasole	Tonnes	22.0	61.9	143.9
3. ANTI-MALARIAL				
Chloroquin	Tonnes	45.0	304.0	791.9
4. ANALGESICS				
Aspirin	Tonnes	1303.0	319.4	47.3
Oxyphenyl Butazone	"	25.0	14.1	42.9
Amidopyrin	"	16.0	95.6	39.5
				129.7
5. STEROIDS				
Prednisolone	kg	1070.0	869.0	69.2
6. VITAMINS				
Vitamin A	MMU	60.0	15.0	39.4
Vitamin B_1	Tonnes	29.0	78,710.0 (MU)	201.9
Vitamin B_2	Tonnes	7.0	28,338.0 (MU)	109.7
Vitamin B_{12}	kg	165.0	190.0	55.1
				406.1
			GRAND TOTAL	2755.1

SOURCE: *Production figures:- Annual Report of the Ministry of Petroleum, Chemicals & Fertilizers, for 1978-79. Import:- Data compiled by the Directorate General of Health Services, Ministry of Health.*

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Social Conflict in India Today

Amlan Datta

IN this essay I have taken some well known facts of contemporary Indian society and politics and tried to understand them with the help of some simple concepts. There is nothing new about the facts and not very much that is new in the concepts. There may still be something of value in the way these have been put together.

I

Power and property are the twin sources of social conflict. There are those who regard property as more fundamental. However, it is doubtful if this is a correct way of looking at the matter. Property is only one of the ways in which power is consolidated. Property leads to power and power leads to property. In some societies property evidently comes first; but it is a mistake to generalise. Where there is a strong centralised bureaucracy and politics is in the saddle, political and administrative power may well be primary. It is, again, an error to suppose that although people want power, what they want more fundamentally is property. Power is sought partly for the sake of property, but partly also for its own sake. There are many, including saints, who have shown a notable capacity to overcome the desire for property, but it is much more difficult to discard the desire for power. From one point of view, it is almost never a question of giving up power, but it is mostly a question of opting for some forms of power in preference to others. In any case, it is better for purposes of social analysis to name power and property as the twin sources of social conflict than to admit property as the only source that matters.

When one leaves out of account isolated conflicts between individuals and turns one's attention to groups, one notices that these fall into two main classes. First, there are communities held together by kinship ties. The concept of kinship group can be widened to include other groups of a similar nature. Secondly, there are collections of individuals brought into existence by common economic interests. These may be called interest groups. Some of these are very loose and others more closely organised. Thus buyers of a commodity have a common interest (since they stand to gain from a lower price of that commodity) as against sellers (who may be interested in a higher price). Similarly, members of a trade union are bound together by a common interest. A family is an obvious example of a kinship group. Of course, a family has also common economic interests. But there is, nonetheless, a difference which should not be overlooked. In the case of a trade union or, let us say, a sellers' association, the economic interest comes first and lays the basis for the association, which consequently goes out of existence as soon as the economic interest is extinguished. In the case of a family, the group, so to speak, comes first and creates the basis for a common interest. When a member of a trade union changes his trade, he ceases to be bound to his old union: thus it is the trade which comes first. When a member of a family changes his occupation, there is no such abrupt termination of his sense of belonging to the family. In a kinship group, or for that matter, a tribe or a nation, the basis of a feeling of solidarity lies in real or imaginary ties of blood and culture, language, religion, history and such factors, some more intangible than others and more durable.

Sometimes a group is based on a notion of hereditary trade, but it develops kinship ties and these may have a determining influence on its character. This means that even when individual members of that group at a later stage are cut off from their traditional occupation, they do not cease to belong to the group. Caste is an obvious example. The main question is whether a trade, or a commodity, or some determinant economic interest, provides the effective bond which holds the group together, or whether the group derives its sense of unity from a different source.

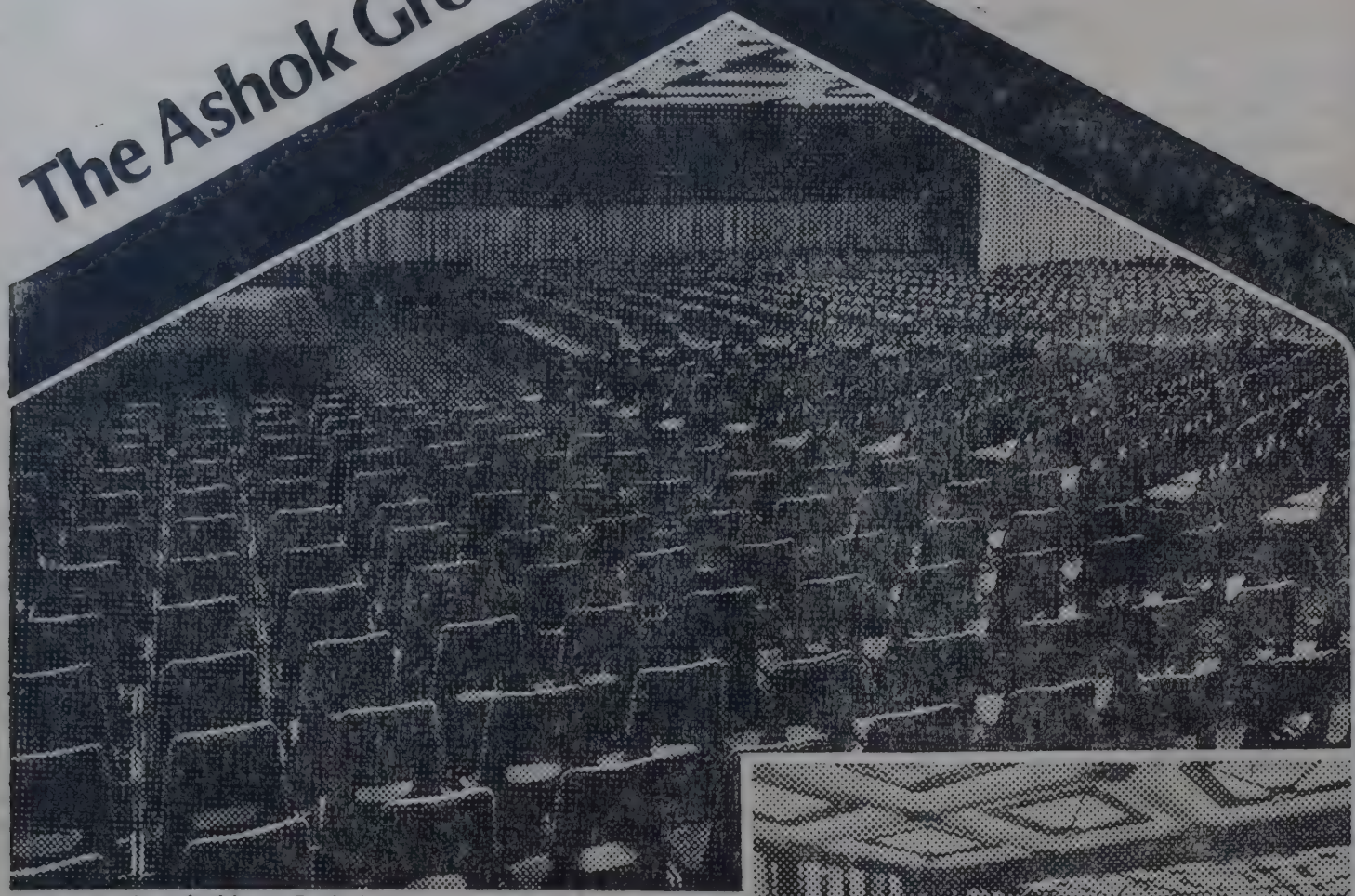
Sometimes the dichotomy breaks down. A group may combine the characteristic of the two types distinguished above. A class is not a kinship group in the same way as a caste, but neither is it a purely economic association in the manner of a trade union. Thus the working class, as it becomes class conscious and particularly when it develops an ideology of its own and a flag and an anthem, tends to acquire a quality of solidarity which a trade union as such does not possess.

We may now pass on to a consideration of social conflict. The parties to a conflict may be interest groups or kinship groups. There are, however, some complications. Even when a conflict can be traced to antagonistic economic interests, the specific form of that conflict may be, and quite often is, strongly influenced by the existence of kinship groups. To put the same point a little differently, two groups may engage in war against each other apparently on grounds of antagonistic interests and yet, as a matter of fact, there may exist a broad unity of interest between major sections of people belonging to these groups. This may happen, for instance, because each group identifies itself as a whole with a minority section within the larger body and these minority sections may have mutually incompatible interests. In such cases, the conflict in its concrete manifestation is not simply between interest groups, but between kinship groups; and its explanation is only partly economic, but not wholly so. With the same economic situation but a different kinship formation or alignment, the conflict might not have taken place or its form might have been significantly different. For instance, had the economic situation been materially the same in India but religious and linguistic divisions different, the manifestation of social conflict might have been substantially different.

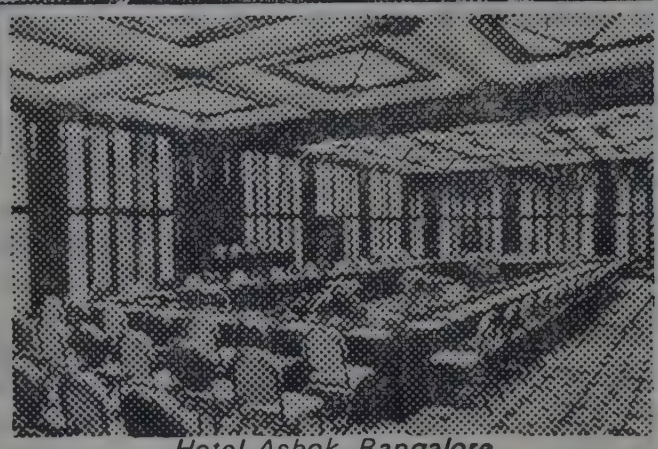
II

In some cases of conflict, the rival interest groups may still be partly by a perceived possibility of reciprocal benefits. This, for instance, is the normal relation between buyers and sellers. These are rival groups, but both sides have something to gain from an exchange and the conflict of interest is only about the exact division of that gain. In such cases, the opposite party or group may be called a compatible opposite. There are other cases where the opposing inte-

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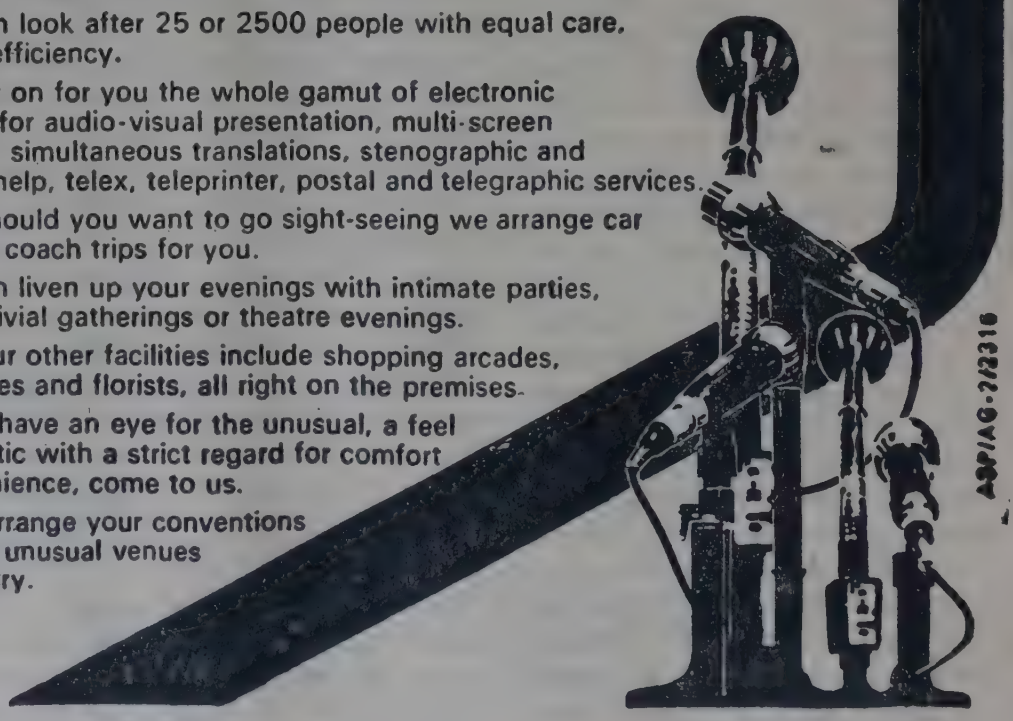
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rest group is perceived to be taking away something while offering nothing in return, and so what is desired is the total elimination or liquidation of that interest group. An opposite party or group of that kind may be termed an incompatible opposite. The way in which one tries to overcome a conflict depends partly on the nature of one's perception of the nature of that conflict. Time is also a factor here: what appears as an incompatible opposite at a given moment may disclose the characteristics of a compatible opposite on a longer or maturer view.

In the relation between two kinship groups, it is not considered decent or reasonable for one group to adopt as its aim and policy the destruction of the other group. As a matter of fact, such a policy might be branded as genocide and this is highly repulsive to a civilised nation, except when it itself practises it. There are some very good reasons for this. In the first place, when one group adopts such a policy in relation to another, the more likely consequence is that it will not quite succeed in exterminating the other group, but instead create a trail of cruelty and hatred which is not easily obliterated. But there is also a somewhat subtler reason. The role that a group adopts in the real world is not a fixed role but a variable one, and so its relation to other groups is also variable. A group naturally wants its own advancement, but it happens that at crucial moments in history it has before it alternative ways of furthering its interests. Thus, rival groups can change and readjust their lines of advancement and create mutually advantageous modes of co-existence. An incompatible opposite can get transformed into a compatible opposite. The fiercely fixed idea that no kind of co-operation or co-existence with the other group is at all possible is often produced by bigotry and short-sightedness. These produce attitudes and strategies which, in the final analysis, are unnecessarily wasteful for all concerned. This holds whether one is considering interest groups or kinship groups, since in reality these overlap, as we have already noticed.

Even where co-operation is possible among individuals and groups, that does not exclude the possibility of conflict at the same time. Most human relationships are of a mixed sort. Co-operation has, therefore, to be combined with a strategy for struggle, and it is far too simple-minded to assume that all the co-operation is for home consumption, that is, applicable inside one's own group, and all the fight is for export, that is, designed for exclusive use against an outside group.

Among those who laid the basis for strategies of struggle for social justice in our time, the most memorable are perhaps Marx and Gandhi. Marx studied social conflict in pioneer capitalist countries of his time, particularly England. He thought he saw in the conflict between capitalists and the industrial working class the most significant form of all social conflicts in history. Starting on that supposition, it was not difficult for him to come to the conclusion that the "contradictions" within society could be removed by the forcible overthrow or the liquidation of the class of oppressors.

Gandhi's life experience was different. In South Africa he saw and, in fact, led the struggle between the whites and the coloured people; in India between Indians and the British rulers. In these and many other cases, including communal and caste conflicts, while economic interests were obviously involved, the form of the conflict was as between kinship groups. In all such cases, any suggestion of ending the conflict by liquidating the opposite group would be patently 'fascist' and wrong on many counts. It is part of the genius of Gandhi that he laid the foundations of a strategy of struggle which would be consistent with the principles of peaceful co-existence. The purpose of satyagraha or non-violent non-co-operation is not to eliminate the opponent, but to prepare the ground for co-operation with him at a higher level. Just as Marx generalised from his own experience, so did Gandhi. In Gandhi's experience, conflict in human society is generally of the nature of a conflict between kinship groups and the aim in and through all struggle against injustice must be to promote peaceful co-existence at higher levels of co-operation. By this process of a reformation and deepening of modes of co-operation, the nature of the contending groups also changes and improves. This would hold equally good of conflict between castes and between nations. Thus, Gandhi's conception of the right approach to social conflict was moral and pluralistic.

Indian society, divided into a multiplicity of castes, religious communities and linguistic groups, is unmistakably pluralistic. Here social conflict very often takes the form of a contest between kinship groups. The contest is typically for ownership of land and positions in the administration. The genesis and development of the conflict is easily described. Historically, some of these kinship groups — a caste or a linguistic group or a religious community — finds itself left behind and, as it tries to come up, it gets involved in a competition with some other group which happens to enjoy the advantages of an earlier start. The competition tends to be particularly bitter because it is perceived not so much as a contest between individuals, but as a struggle for power between kinship groups. The choice then lies between militant confrontation and a search for reconciliation.

III

Earlier in the century, upper-caste Hindus, particularly Brahmins, had a dominant position both in the ownership of land and in the administration. With the abolition of landlordism after Independence, the upper-caste dependence on land was weakened to some extent. But in the same period, there took place a notable expansion of the public sector. While the dependence of the upper castes on land grew less, their position in the administration, including the management of commercial and industrial enterprises, private as well as public, steadily expanded. Today many of them can afford to take up a relatively radical position on the question of ownership of land, because their economic and power base lies now not so much in land as in the administration and management.

This illustrates a point which is worth noting. A dominant class is often supposed to cling to its vested interests as a class. This is more likely to be true when it has no options open. But, at critical points in history, there are quite often possibilities of adjustment or readjustment along alternative lines. The landed aristocracy of a feudal society may find a new position of leadership in the government in an era of capitalist development. Advanced sections of the middle class in a capitalist society may get merged in the managerial stratum under a socialist regime. If some are killed while others get absorbed in a new order, this is quite

often a consequence of fortuitous factors and personal animosities deceptively called by other names.

While the upper castes have thus moved to a position where they can, without material inconvenience to themselves, adopt a radical posture on the land question and support the idea of an enlargement of the public sector where they hold the higher posts, in short, sponsor a leftist programme, the middle castes are placed in a different situation. A good few among them are agricultural castes, having land as a main source of their livelihood. Some of these agricultural castes are more advanced than others, but they generally prefer to be officially known as backward castes, for reasons that are well known.

In the social hierarchy the backward castes are placed above the scheduled castes, but below the upper castes. They are currently engaged in a war, so to speak, on two fronts. Educationally behind the upper castes but moving forward rapidly, they want a larger share of posts in the administration. This larger share they have to wrest from the upper castes, whom, therefore, they regard now as their chief adversary. As far as this is concerned, the main demand of the backward castes is for statutorily guaranteed reservation of government jobs in their favour. As a matter of fact, they prefer to be designated as backward castes because that is the basis of the demand for reservation of jobs for them.

If on the question of places in the administration the backward castes are pitted against the upper castes, on the question of land, that is, the enforcement of ceilings on holdings and redistribution of excess land, their interests stand opposed to those of the scheduled castes. The resulting conflict is further aggravated by a breakdown of the traditional consensus regarding reciprocal obligations among the castes.

It is not surprising that the relationship among the different castes as described above has been reflected in current politics. Indira Gandhi is a symbol of militant and progressive nationalism, as Dange, for instance, has recognised. This is consistent with that disregard for liberal values, the belief that individual liberty can and needs to be bartered for bread for the poor, which has come to be associated with her party. Outside West Bengal and Kerala, Indira represents an alliance of a section of the Brahmins with the scheduled castes. Her progressive image is further confirmed by the greater support and confidence that she enjoys among the minority communities. The middle castes, on the other hand, provided the principal bases for Janata party in 1977 and Lok Dal in 1979. To be sure, the picture became a little less clear-cut when Morarji Desai stepped down and Jagjivan Ram assumed the leadership of the Janata. But there can be little question that Jana Sangh, a major component of the reorganised Janata, has its principal base among urban trading castes while Lok Dal draws whatever strength it has from some agricultural middle, or backward, castes. The rural and the urban middle castes are, from an economic point of view, compatible opposites; and the recent political rift between them was chiefly as a result of incompatible short-sighted personal ambitions and factional squabbles.

Viewed in this way, we begin to understand rather more clearly the nature and the specific contemporary form of social conflict in India. Undoubtedly, economic interests lie at the back of the confrontation between the upper castes and the backward castes, which was so much in evidence, particularly in Bihar and Uttar Pradesh under Janata rule between 1977 and 1979, and, again, that between the backward castes and the scheduled castes. But it is equally clear that the form of that conflict has something very special about it, which makes it different from an encounter between classes. The consequences of this difference are worth remembering.

Reservation of jobs may be desirable; that is a matter for debate. But neither the larger problem of which it is a symptom, nor the antagonism between the upper castes and the backward castes regarded as such, can be resolved by that policy. The number of educated young people among these castes will be steadily increasing. The number of administrative jobs being limited, no particular division of that number among the contending castes can satisfy their needs in the long run. Much the same kind of thing can be said about the other manifestation of caste conflict. There is a strong case for the enforcement of ceilings on land holdings. But it is doubtful if the aspirations of the scheduled castes can be satisfied for any length of time by simply settling them on little parcels of the surplus land. Certainly their problems cannot be solved by virtually immobilising them at low levels of poverty.

What is needed is a steady and sizeable increase in the opportunities for earning a livelihood, particularly in the rural and semi-rural areas, in occupations which are non-agricultural and yet complementary to agriculture. It is by drawing away an increasing number of people from the scheduled as well as the backward castes to these new occupations that one can hope to bring about a durable improvement in the situation giving rise to conflicts among castes and other major kinship groups and communities.

At the same time it is important to build up in the villages self-governing democratic institutions, backed up with adequate finances and technical assistance, so that these can play an effective role in rural development. Simultaneously, the poorer and the weaker sections of rural society have to be helped to organise themselves so that they can both participate in the development process and attract to themselves an adequate share of the fruits of development. Voluntary agencies, outside the pale of party politics, should have a crucial role to play in this matter.

This is the blend of constructive work and organised struggle for justice which seems appropriate to the Indian situation. Politics has played a positive role in Indian society after Independence. But, like everything else, it has its limits. Being essentially a struggle for power, party politics has a tendency to seize upon a given social conflict and then sharpen and aggravate it for its own partisan ends. This may release an immensely destructive process, leaving behind it that trail of bitterness which a conflict between kinship groups so typically engenders. It is Jagjivan Ram who, I believe, once said that unless the Harijan problem was properly handled, it might lead to a civil war in every village in India. What is needed is an approach to reconciliation. But it has to be a reconciliation based on justice. A similar approach must apply *mutatis mutandis* to problems arising out of the conflict of religious communities and linguistic groups. For Indian democracy derives much of its central meaning and purpose from a continuous search for higher forms of co-operation in a society that is essentially pluralistic.

A Manipulated Programme

D Banerji

Family Planning under the Emergency: Policy Implications of Incentives and Disincentives by V A Pai Panandikar, R N Bishnoi and D P Sharma; Radiant Publishers, New Delhi, 1978; pp 174, Rs 35.

AN account of India's family planning programme provides frightening examples of the ways the family planning policies, plans and programmes have been manipulated, distorted and even fabricated to sub-serve certain interests within the country and abroad. The bogey of population explosion could be used as a convenient smokescreen to cover up the failures of the political leadership to keep its promises of bringing about changes in social and economic fields.

For this purpose the promoters of the programme, namely, the local power elites and their patrons from abroad, did not hesitate to adopt Malthusian approaches, either in the more blatant forms, as represented by the target approach, the Mass Vasectomy Camp approach or the Mass Forcible Sterilisation Drive of the Emergency or in covert and camouflaged forms, as represented by the extension approach, the use of the Intra-Uterine Device (IUD) as a miracle technological fix or extensive manipulation of media of mass communication to brainwash people into submitting to the dictates of the promoters of family planning.

As in the case of "free" South Viet Nam of the early sixties, a horde of advisers from abroad were attached to this army of family planning crusaders in India to "advice" them how to fight this war against rising numbers. A large number of generously funded new institutions dealing with different aspects of family planning came into being at the national, state and regional levels to provide academic bases for this new brand of intellectuals. Other prestigious national institutes, such as Indian Institutes of Management, Administrative Staff College, Indian Institute of Public Administration, Indian Institutes of Technology, National Council for Educational Research and Training, the Indian Institute of Mass Communication, the Space Application Centre of the Indian Space Research Organisation, the All-India Institute of Medical Sciences and the All-India Institute of Hygiene and Public Health were mobilised to lend their weighty support to the programme. A large number of specially funded centres or groups to study India's population problems also came up in the affluent Western countries, particularly in the United States.

The United Nations itself and its various agencies have also been brought into the programme. The World Bank had launched a $ 31.0 million India Population Project and is now planning to launch a still bigger project in collaboration with foreign aid agencies of Sweden, Denmark and the United Kingdom. The United Nations Fund for population Activities (UNFPA) has its own extensive programmes. The WHO has a Special Fund to finance major research programmes on reproductive biology. Not to be left out, UNESCO has carved out for itself an interest in family planning communication and population education. UNICEF has joined the family planning movement on the plea of promoting health of the mother and the child. Even the ILO and economic and social agencies like the ESCAP have also found it worthwhile to add their mite to the movement. These UN agencies could have taken a much more sober view of India's population problem (as, for instance, was done at the World Population Conference at Bucharest, *in spite of the UNFPA*), but the political power of the funding countries was such that these agencies ended up as tools to promote the campaign of sterilisation with all its elements of brainwashing, enticement and arm-twisting of helpless people to make them submit to sterilisation. The banner of the UN was exploited by the manipulators to give an aura of respectability to their not-too-reputable activities.

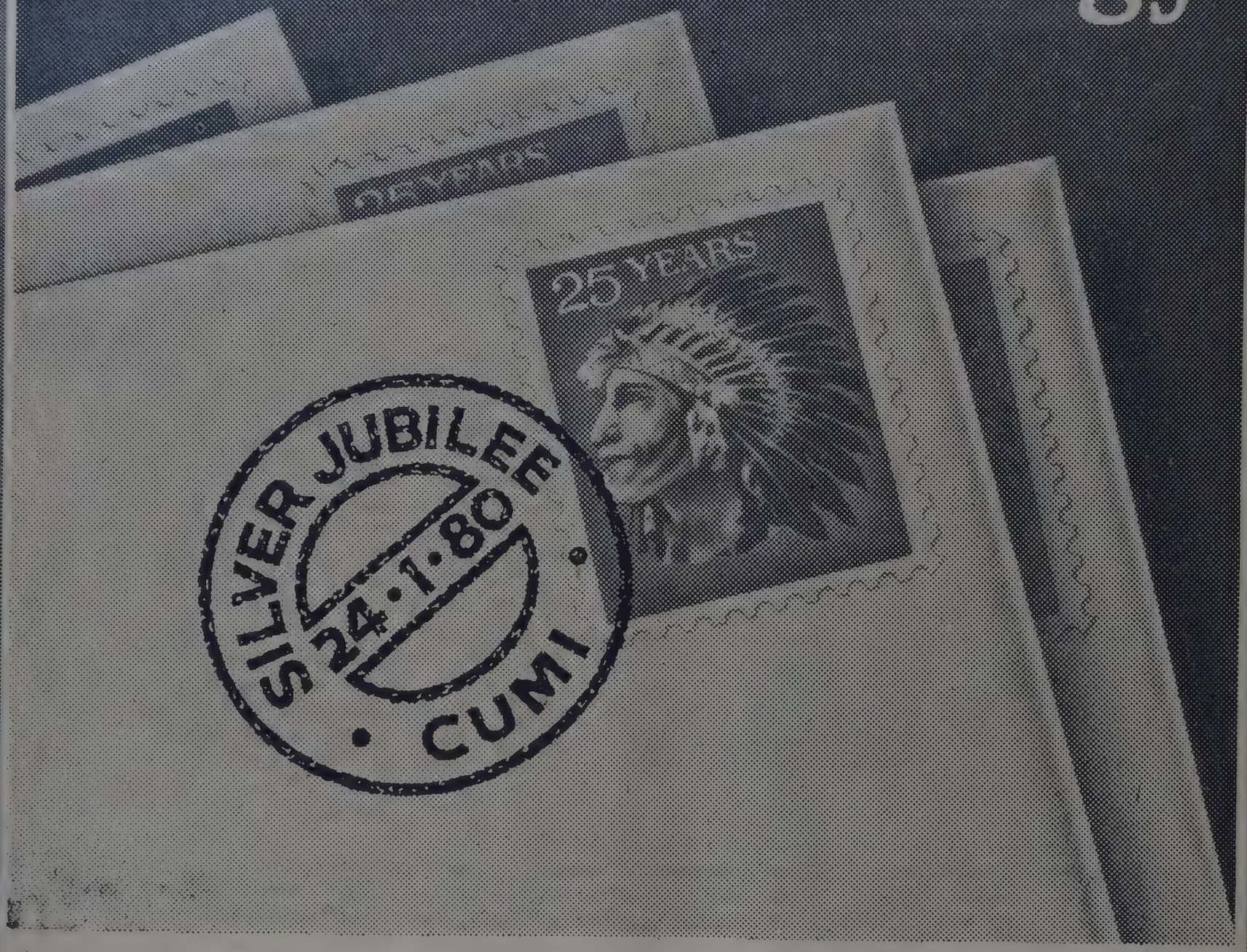
This gigantic crusade against the rising numbers provided the ideal conditions for the working of what Stanislav Andreski has described as "The Law of the Lighter Weights Rising to the Top".[1] Indeed the light-weights fitted in well with the scheme of the manipulators. They are malleable, they have less scruples, they are glossy and they can be easily dressed up suitably to plant them at key positions in the family planning academia, and, most important, they can be trusted to build an organisational culture of mediocrity, and to systematically suppress "deviant" thinking and action within the organisation and isolate, overshadow and even overpower and liquidate those from outside who dare to challenge the academic postulations of the family planning academia.

This overwhelming domination of the field by the propagators of the family planning ideology with the help of abundant resources and massive political power has been the most outrageous aspect of India's family planning programme. This power has provided them with an almost impregnable shield to get away literally with anything, including forcible sterilisation of millions. In the last three Five-Year Plans the family planning programme has swallowed as much as Rs 2,000 to 2,500 crores and quite a substantial part of this money has been lost in such disasterous failures as the extension approach, the IUD Drive, the massive mass communication drive, the target oriented time bound programme, the Mass Vasectomy Camp approach and finally, the Forcible Sterilisation Drive of the Emergency. Few heads have rolled for these blunders. Few have been held accountable for the enormous waste of resources. The family planning programme has continued to thrive, the light-weights have continued to rise up to the top at an accelerated speed and the faithful continued to get rich rewards in terms of high paid jobs in international agencies and in foreign countries.

The $ 31.8 million Government of India/World Bank/Swedish International Development Authority (SIDA) India Population Project provides a glaring example of utter lack of imagination and collossal waste of public funds. As an experiment it has been a very poorly conceived and still more poorly designed and executed experiment. As a result, very little could come out of it. One of the most alarming aspects of this project has been that the project administrators have managed to implement the project in such a way that there is very little of open academic discussion on various aspects of so expensive a project and again when the project failed, those responsible have not been held accountable for the fiasco.

A matter of still deeper concern has been the response of the not-so-lightweight academics, political and social

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leaders and others who were not a part of the family planning establishment to the goings on in family planning during the past decade and a half. The Ernakulam Mass Vasectomy Camp of 1970[2] provides a good example. The Communist state government of Kerala allowed the Collector of Ernakulam, a most dynamic individual, to use all his powers, including revenue powers and developmental patronage to "motivate" people to accept vasectomy; it was the lean agricultural season and the World Bank/UNFPA/SIDA came forward with extra funds to dangle enhanced incentives (from the usual Rs 10 to about Rs 100 plus "gifts" in kind) to entice people; and mass communication media were used extensively to provide support to the camp. There was considerable excitement in New Delhi, New York and Washington when, against a "target" of 30,000 vasectomies, the Collector "obtained" 65,000. He became a most sought after hero both in the national and international circuits. The Government of India, with full support from the World Bank, SIDA and UNFPA, followed this up by letting loose the collectors and commissioners on the people in other districts all over the country. These collectors and commissioners held camps on the Ernakulam Model and they competed with one another in terms of the number of people they caught for sterilisation in order to get laudatary entries in their service records. Such a brazen onslaught on the dignity of the exploited and helpless people did not evoke much response in the legislatures, from political platforms, from seats of learning and from the Press. Performance of vasectomies on railway platforms of Bombay drew approbatory headlines in the national press. The not-so-lightweights tooked the other way when the family planning fanatics in Maharashtra allocated targets to police personnel and when the Maharashtra Legislative Assembly passed the law on compulsory sterilisation. This trend continued during the Forcible Sterilisation Drive of the Emergency. As the wrath of the masses against this outrage is cooling the Malthusian family planning establishment, with active assistance from the World Bank, UNFPA and aid agencies from Sweden, Denmark and the UK is staging a comeback under the garb of what is called the "Model Plan" to pave the way for launching yet another onslaught on the people.

In a setting where the family planning academia is so dominating Pai Panandikar and his colleagues can at least claim the distinction of having written a book on family planning independent of the family planning establishment. Pai Panandikar is in the company of two other scholars, namely, Asok Mitra, who has written "India's Population: Aspects of Quality and Control"[3] and Sumanta Banerjee who has written "Family Planning Communication: A Critique of the Indian Programme".[4] Quite apart from their independent academic status, all the three authors share two additional common traits. All three of them received grants for their academic work from the Family Planning Foundation of India which receives its support from some of the top business magnates of the country and from the Ford Foundation. And all three of them apparently did not think it necessary to discuss their respective topics in terms of the political economy of the family planning programme of India; they have not discussed their topics in the context of the various political, social and economic forces which have given the present shape to India's family planning programme. It is hoped that these similarities in the works of these scholars, who have very different backgrounds, is accidental and that it does not foreshadow a new trend in scholarship in the field of family planning.

Pai Panandikar and his colleagues themselves state in the preface of the book written in July 1978 that their book had become dated within the short span of a few months after the study was completed. The title too does not entirely reflect the contents. The book does not cover the entire period of the Emergency. Rather, it confines itself only to the implementation of the April 1976 Population Policy of the Emergency government, which was itself thrown to the winds when the Forcible Sterilisation Drive got going later in the same year. The conclusions drawn from the study are, therefore, of very limited relevance.

As the sub-title indicates, the intention of the authors was to present certain policy implications of incentives and disincentives. But the authors themselves observe:

> The policy of incentives and disincentives, which constituted an important part of the new population policy of the Government of India announced in April 1976, was according to the findings of the present study a prime example of non-policy. If there were any sound basis for formulating the policy, the government has succeeded in concealing it effectively, for the deficiencies in the policy are so glaring and the damage done to the programme so extensive that it would have been more advisable if the policy was not formulated.
>
> The most important limitation of the policy seems to be that it was not based on any serious examination of the motivations and preparedness either of the people or of the administrative machinery. The extensive experience of the government with other policy areas would have normally led one to assume that major policy measures are preceded by an intensive and indepth analysis of the various factors which make for the success or failures of the policy measures.

But, one can well ask, was such a study with all the self-imposed limitations and constraints at all worthwhile? The book can be summed up as a report of a "non-study" of what the authors have called a non-policy! While a "non-study" cannot provide grounds for a study, a "non-policy" itself can be called a policy — a policy of surrender to the vested interests, both within the country and abroad and a policy of allowing these interests to shape the family planning programme according to their own interests.

Nicholas Demerath in his book "Birth Control and Foreign Policy"[5] has presented solid evidence of various ways in which India's family planning programme has been manipulated by the US government (USAID) and other agencies like the Population Council, the Ford Foundation, the International Planned Parenthood Federation, the Population Crisis Committee, the Council of Foreign Relations and the programmes sponsored by numerous universities, church organisations and other voluntary associations. It would have been much more worthwhile if they had related their subject to the *modus operandi* of such foreign agencies in so far as they influenced decision-making in India, through putting pressure at the time of meetings of the Aid India Consortium and on other occasions. Instead, the authors have confined themselves to a study which in effect amounts to be a mere evaluation (and that too of not a very high quality) of a very restricted aspect of the programme. Here, then, is a study of family planning policy of April 1976 which does not discuss the policy considerations which made the family planning programme a programme of blatant bribery, deception, enticement and coercion to catch people for sterilising them on an extensive scale before, during and well after April 1976.

Notes

1 Andreski, Stanislav, "Social Sciences as Sorcery", Penguin Books, 1974.
2 Mitra, Asok, "India's Population: Aspects of Quality and Control", Vols I and II, Abhinav Publications, New Delhi, 1979.
3 Banerjee, Sumanta, "Family Planning Communication: A Critique of the Indian Programme", Radiant Publishers, New Delhi, 1979.
4 Krishnakumar, S, "Massive Vasectomy Camps: An Innovative Project in Ernakulam District", Indian Institute of Public Administration, New Delhi, 1971.
5 Demerath, Nicholas J, "Birth Control and Foreign Policy: The Alternatives to Family Planning", Harper and Row, New York, 1976.

Misplaced Theorising

Bagaram Tulpule

Bonus in India: Some Perspectives edited by Kamala Mathur; published for Administrative Staff College of India by Management Education Services, Hyderabad; pp 216, Rs 60.

A COMPLETELY unambiguous formula for computing annual bonus, which will place the issue beyond the realm of dispute between employers and employees, has remained a will-o'the-wisp. It could hardly be otherwise given the present quality and practices of industrial relations. Workers seeking 'more' and employers reluctant to pay even by established norms, is the predominent feature of their mutual relations and it would be naive to expect that an issue like bonus alone could be totally insulated from that feature. There is no economic calculus, certainly none in an unabashedly acquisitive, capitalist society like ours, which can yield universally acceptable answers to questions of sharing the economic cake among different groups and interests in the society. The effort to resolve labour-management issues, including bonus, has to go on at a pragmatic level, as an effort to adjust conflicting interests rather than to identify any logical imperative by economic, moral or social tests.

Such a pragmatic effort is in fact what has gone on in our country over the past three decades and more. Some of the best minds in the country among jurists, economists and administrators not to speak of trade unionists and employers, have been engaged in all earnestness in the quest for an acceptable solution for the bonus issue, and what they have collectively achieved is, if not entirely satisfactory for all, also nothing to scoff at. All bonus disputes, of course, have not been pre-empted; but nor have disputes on any other major issues between employers and employees. The extent and severity of such disputes has been a function more of the general climate of industrial relations in a given work place than of the merits or otherwise of any particular bonus formula.

It is, however, fashionable, especially among those who have never had to grapple with any real-life bonus disputes, to argue that bonus has remained a controversial issue mainly due to stupidity or perversity, or both, on the part of those actually concerned with resolving disputes: employers, trade unions, the labour judiciary, various committees and commissions and, of course, the government.

These thoughts are provoked by the book edited by Kamala Mathur bringing together the papers and some other material from the National Seminar on Bonus sponsored by the Administrative Staff College of India, Hyderabad, in December 1974. The papers are by trade union leaders, spokesmen of employers and persons from the academic field and the editor has added a postscript as well as a chapter titled 'Bonus System: Some Issues'.

The trade unionists and employers' spokesmen have taken their well known positions on bonus in their papers. Vijaynagar of the Millowners' Association, Bombay, goes so far as to denounce even the fixation of minimum wages, not to speak of a statutory minimum bonus, for workers. He, of course, uses all the sophistries about the gap between the standards of industrial workers and other masses of people, inhibition of capital formation and economic growth, contraction of direct tax revenues due to wage increases (not, of course, due to tax evasion by the groups he speaks for), and so on. In fact, for Vijaynagar, depreciation, development rebate and provision for taxation must have precedence over workers' wages!

According to Mohan Das, "Bonus payment has been resorted to as a trade-off, a substitute to avoid continued exercises" by employers and tr unions to evolve more rational w structures. The history of bonus d putes in the country, of course, provi no evidence whatever for this conc sion. Wage structures in the coun may not be rational and may h undergone distortions; but then, w is a rational wage structure anywa All available theories and techniq formulating wage structures are sentially devices to arrive at somethi which will be acceptable to the part in a given situation and at a given tim Absolute rationality has no meaning wage structures. Even Mohan Das spite of his decrying of everything th has been done on bonus so far, h nothing better to suggest than produ tion or performance bonus to repla the present system.

The persons from the academic fie have also decried the present syste of bonus. The economic arguments us by them are essentially the same those of the employers' representati though perhaps not in the same braz form. They have not, however, addu ed any evidence that the present bon system has, in fact, proved a calami for industry or for economic growt The facts that workers' real wages ha been more or less stagnant, that the share in the value added by manufa ture has fallen steadily and that the re wages have not kept pace with the i creases in labour productivity measure as value added per man-day at consta prices, seem to have been wholly i nored by them. Some outright erro are also to be found. Mathur, for i stance, to prove wage desparities com pares the emoluments in the high organised pharmaceutical and cotto textile industries with the notifie minimum wages in the unorganised o mills, ignoring the higher wages in th organised oil mills like Hindustan Leve TOMCO, Godrej, Ahmed mills, and s on. Similarly, Papola seeks to prov that bonus accentuates wage disparitie on the strength of an insignificant ris in the relative co-efficient of variatio in emoluments with bonus as compare to that without bonus.

Rastogi of Wazir Sultan Tobacc Company presents his company's su cess with a productivity-based incentiv scheme. But his industry is hardl typical of the generality of industry o our country and its experience can hav little relevance to others.

The interesting point is that all thos who argue the merits of productivity based bonus seem to assume that th idea has not been examined and foun

to be difficult of adoption in place of the present annual bonus. This, of course, is simply not so. Various competent bodies have considered this idea very fully and have cogently pointed out the difficulties in adopting it. None of these difficulties are seriously reckoned with by any of these champions of productivity bonus.

When a number of persons present papers on the same theme, each inevitably covers the same historical ground by way of introduction and this repetition detracts from the readability of the book. On the whole, anyone who is even moderately acquainted with the bonus problem is not likely to become much wiser after reading this book.

Without a Theoretical Frame

Suraj B Gupta

Theory and Practice of Central Banking in India by V A Avadhani; Somaiya, Bombay, 1979; pp 207, Rs 20.

THE subject of money and banking in India has been a happy hunting ground for authors of text books and monographs. Invariably, the products are patchy descriptions of the institutional framework, banking practices, and central banking functions and organisation of the Reserve Bank of India (RBI), with some convenient assertions of a theoretical nature thrown in here and there. Most often the discussion lacks any clear theoretical frame. Consequently, the treatment lacks any sense of direction. Nor one knows how to evaluate what is being done in the country in the name of monetary policy. No wonder understanding of tricky monetary affairs is so poor in the country.

The book under review is no exception to the above description. It is claimed to be a blend of theory and practice of central banking in India. Since the author is an officer of the Reserve Bank of India, one could expect from him deeper insights into the working of the country's central bank, its policy-making processes, the pulls and pressures on decision-making, evaluative criteria, if any, applied to assess the success or failure of policy measures and the bases on which policy changes are made from time to time. But very little of this is to be found in the book. May be such questions were "out of bounds" for the author. Or he himself might have chosen to stay on the well-beaten path on the excuse that he was writing only an introductory text book.

The descriptive parts of the book are a bland rehash of readily available material in similar other books except perhaps Chapter 15 where the author has put together in one place various policy schemes of the RBI. The treatment of the subject in these parts is sketchy as well as spotty.

The weakest parts of the book are those that deal with monetary theory. The treatment is not merely superficial and incoherent, it also suffers from errors of the grossest kind, which are inexcusable. Some of them relate to elementary but fundamental concepts which are the stock-in-trade of any student of economics. I may illustrate my charge with the help of two selections from the book.

One relates to the simple Keynes model (pp 34-5). Having correctly identified aggregate demand with aggregate expenditure, Avadhani lists expenditure on "imports of goods and services" as one of the components of aggregate expenditure (i e, demand). He further says: "Thus, in an open economy, the components of income are Consumption (C), Savings (S) and Exports (X). The components of expenditure are Consumption expenditure (C), Investment expenditure (I) and Imports (M). Income equals expenditure and $C+S+X = C+I+M$ under equilibrium conditions according to Keynes" (p 35).

Any student of Keynes' macro theory will recognise immediately that all this is wrong. In Keynes' model, aggregate demand stands for aggregate demand for domestic output. In an open economy, this output is demanded partly domestically and partly externally. So, aggregate demand=aggregate expenditure on domestic output $= C+I+X$, not $C + I + M$, as made out by Avadhani. Expenditure on imports results in the demand for goods and services produced aborad. In the language of Keynes' multiplier analysis, imports (like domestic savings) are a leakage from the expenditure stream (the demand for domestic output). All this is so well established and can be so easily found in any standard text book on macro-econmic theory that I need not dwell on it any more.

Similarly Avadhani's statements that "exports go to the income side" (p 35) or that "in an open economy, the components of income are Consumption (C), Savings (S) and Exports (X)" (p 35) are all wrong. In Keynes' model, on the income side, the question asked is how income is disposed of. The answer given is that income is partly consumed (C), partly saved (S) and partly spent aborad (M). The fact that exports *earn* a country foreign exchange (income) is seen in terms of the demand side for domestic output.

The implications of the aforesaid errors for the whole of Keynes' model can be easily worked out.

Another example of error is provided on p 37, where the meaning of accelerator is explained thus: "In acceleration, income determines the investment". This, too, is wrong. It is well known that under the accelerator principle investment is hypothesised to be a function of the *rate of change* of income, not of the level of income. That Avadhani's statement is not a result of a careless slip is supported by the very next sentence in the book saying that "the higher the *rate of rise* in income, the higher is the *rate of rise* in investment" (italics mine, p 37). That is, it is $\triangle$ I and not I which is made a function of $\triangle$ y, which is obviously wrong.

The number of such theoretical errors can be multiplied as one goes through the book. Chapters 4-6, 11 and 12 are full of them.

In the discussion of money supply analysis, his academic training leads Avadhani to lean in favour of the theory of the money multiplier. His official position presumably requires him to swear by the RBI's purely accounting analysis. In the spirit of co-existence he presents both without a word on conflict or reconciliation between the two. (Interested readers may like to refer to a debate on this issue in the pages of this journal in 1976.) Unless the RBI jettisons its purely accounting approach to money supply analysis, no sound theoretical basis can be provided to its monetary policy and its officers will continue to be captive defenders of an indefensible analytic which has spread totally false ideas about the way money supply changes come about.

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Case for an Expenditure Tax

Raja J Chelliah

A fairly high rate of wealth taxation in addition to a progressive income-tax co-existing with large-scale tax evasion is prima facie *evidence of the failure of the design of the present tax system and the policy underlying it.*

The author argues for a more comprehensive system of direct taxes in place of the existing system. The guiding principles of the new system should b the enlargement of the base coupled with more moderation in the rates of income-tax (both personal and corporate), simplification of several provisions and greater emphasis than hitherto on the objective of directly reducing disparities in the standards of current consumption. The comprehensive system should contain a personal income-tax with lower rates, a net worth tax, a direct tax on non-essential consumption, a simplified tax on capital gains, a gifts tax and a more moderate corporate profits tax coupled with a tax on indirect expenditures of corporations.

The enlargement of the base would make possible reduction in marginal and average rates and improve the horizontal equity of the system without reducing effective progression. The shift from the income base to the expenditure base would, besides mitigating the harmful effects and inequities of a non-comprehensive unadjusted income-tax, serve to reduce extravagant consumption and promote savings to a significantly larger extent than the present system.

Another gain would be the placing of a part of personal taxation on a family basis without imposing high marginal burdens on the incomes of working wives. Finally, the changes suggested in the system of depreciation and capital gains taxation would make for administrative simplification without loss of revenue.

I

Introduction

AMONG public finance economists as well as policy-makers there is growing dissatisfaction with the income tax as it is found in most modern countries. As a result, one strand of thought in favour of some form of direct expenditure taxation, that has been running parallel to the entrenched tradition in favour of the income tax, has received considerable support in recent years. In a sense, the arguments for and against an expenditure tax are fairly familiar, but more recent analysis of the concept of an adequate base for taxation and of the impact of existing forms of income taxation has brought out several strong points in favour of the expenditure tax.

Before we examine in detail the alternative claims of income and expenditure to form the main base of direct taxation, it is perhaps useful to point out that an objective assessment of the desirability and feasibility of wholly or partially replacing the income tax by an expenditure tax has been rendered difficult by certain extravagant claims made on behalf of the expenditure tax by some theorists on the one hand and the exaggeration of the problems of administering the tax by tax administrators on the other. A more sober analysis seems to indicate that while an expenditure tax would not be vastly superior to an income tax on grounds of economic efficiency, it would be simpler to administer than a comprehensive[1] income tax based on a definition of income that can be considered satisfactory from the point of view of equity.

II

Criteria for a Direct Tax System

It is widely agreed that an acceptable system of direct taxation should satisfy the criteria of equity, efficiency and administrative simplicity. The criterion of equity requires first the choice of an index of ability to pay tax. Second, it requires that people or units with equal ability should pay the same tax and that those with unequal abilities should pay differing amounts of tax, the scale of payments being fixed according to a schedule of progression considered desirable.

The practical application of the criterion of equity, apart from the question of the schedule of progression, raises three major questions:

(a) What should be the index of ability?

(b) What period of time should be chosen for the comparison of abilities? and

(c) Should the comparison of abilities be between individuals or families?

(a) Index of Ability

The most commonly held view is that the ability to pay tax should be judged in terms of potential economic well-being or spending power possessed, adjusted for certain relevant non-financial circumstances such as age, disability and family responsibilities.[2] Income may be taken to be the best proxy for spending power even though it does not fully reflect it. For example, net wealth also contributes to spending power. This being so, it is often argued that income may be taken to be the main base of taxation with wealth as a supplementary base. Alternatively, expenditure (on consumption) could be regarded as the proper index of ability and base for taxation, again adjusted for relevant circumstances. When one takes income as the base, one takes account of spending power possessed; on the other hand when one takes expenditure as the base, one takes account of spending power exercised. Of the two, which is the more equitable base for determining the scale of contributions

from a taxpaying unit towards meeting the costs of public services? If one wishes to adhere strictly to the ability to pay concept, then income would appear to be the proper criterion. However, several thinkers, starting from the seventeenth century English political philosopher, Thomas Hobbes, have argued that an individual should be asked to contribute to the public exchequer according to what he takes out of the common pool of resources and not according to what he puts into it.

If someone should assert that it is his value judgment that consumption is the better base of taxation, it becomes a matter of subjective feeling of what is just, and there cannot be any argument about it. However, it is not intuitively obvious that consumption is a better base than the total claim to output that a person has established in the form of income. This claim, i e, total income, if comprehensively defined, is not often equal to the 'contribution' he can be said to have made to total welfare or output. Not even the most ardent supporter of the system of free enterprise would be willing to accept the proposition that income[8] accruing to different individuals in such a system represents 'contributions' according to some normative concept that can be used in deciding questions of justice. That apart, even though the advocates of expenditure as the base of taxation do not explicitly say this, the adoption of that base would in effect mean the abandonment of the principle of ability to pay, because consumption cannot be said to measure ability in the normally understood and accepted sense of the term. Income is certainly a better measure of ability to pay. More accurately, ability to pay could be equated to spending power minus the essential consumption of a family. It could be legitimately argued that in a capital shortage economy saving is also a contribution to the social weal and that hence favourable treatment should be accorded to it. But this is different from arguing that consumption is the proper index of *ability* to pay.

Consumption as a base of taxation has also been justified on the ground that the principal purpose of taxation is to force a curtailment of private consumption in order to be able to direct resources to the government without generating inflation [Andrew W D, 1973-74]. While it is true that the major part of private demand that has to be restrained to make way for an increase in government expenditure would be the private consumption demand, there is no reason why private investment demand should never be touched. It is logical to curtail the kinds of private investment that cater to categories of private consumption demand that are being restrained. It would be more correct to say that the major purpose of taxation is to curtail (the growth of) private demand; in what proportions the two components of private demand should be restrained depends upon the stage of development of the economy and the cyclical situation prevailing. In India, while there is a presumption in favour of restraining private consumption more than private investment, there is no theoretical basis for restraining consumption alone.

We may conclude that consumption cannot be taken to be a better index of ability to pay than income. Also, the theory of taxation does not lend support to the view that consumption is a more appropriate base.

(b) Length of Period

The abilities and circumstances of taxpaying units could be compared over different periods of time. Normally, a 12-month period is chosen for measuring income or expenditure for tax purposes. Thus when we attempt to compare the relevant economic positions of two individuals we normally do this on the basis of their annual incomes. But there is nothing sacrosanct about a 12-month period. One could consider incomes during a five-year period or a 10-year period or the whole period of one's working life. Indeed there is much to be said for taking life-time incomes (or expenditures) of persons for arriving at the relevant amounts of taxes they should pay over their life time as a whole. "Ideally, two taxpayers should be compared on the basis of a whole life time of circumstances ...; life time tax burden should depend upon life time circumstances" [Department of US Treasury, 1970, p 25]. If the present value of the stream of income accruing over life time to two individuals can be calculated and is found to be the same, equity requires that the present value of the tax payments which the two individuals should be asked to make should also be the same. If two individuals start their working lives with the same endowment (physical, educational and financial) and therefore with the same potential earning power, then the present values of the incomes they *could* earn during their life time would tend to be equal and hence they should be subject to the same amount of taxation.

It could be argued that if endowment or potential earning capacity is regarded as a measure of ability to pay over life time, a consumption or expenditure base would be superior to an income base. Thus if two individuals consume all their initial endowments during their life time, (that is, they leave no bequests) a consumption tax would treat them equally; an income tax would treat them unequally if they have a different pattern of consumption.

This is because the burden of taxation depends not only on the amount of tax paid but also on the timing of payments. A tax deferral reduces the burden in present value terms. This being so, if we take two taxpayers with equal endowments at the beginning of their working lives, the income tax can be seen to discriminate against the one who postpones consumption to later years (because his life-time income will be higher due to the interest earned on savings). The expenditure tax would not discriminate between the two because although the early saver would enjoy larger consumption during his life time, the consumption of the two taxpayers and the tax paid by them over their life time would be the same in present value terms. The argument is that while initial endowment or life-time potential earning capacity cannot be measured, if that is conceptually accepted as the proper criterion of ability, then the adoption of the consumption base would be more appropriate, for it would imply equal treatment of those who made use of equal endowments to the same extent. However, the principle of taxation according to potential earning capacity runs counter to the commonly prevailing notions of equity. It would not be acceptable to most individuals that the burden on them would be related not to their actual income but to the potential income they would have had, if they had exploited their endowments to the full or to the average extent. Certainly, a highly progressive tax cannot be imposed on potential earning capacity.

If the criterion of initial endowment is given up, the argument for the consumption base cannot be linked to

the ability *to pay* concept. The 'discrimination' against the early saver would no longer be a relevant factor; the fact that the early saver would pay more under the income tax than under the expenditure tax during his life time could not be deemed a demerit, because actual income would have been considered (implicitly) a criterion more desirable than potential earnings. One could still debate whether life-time abilities should not be compared, but that debate would not have an implication for the choice of the base.

(c) Choice of Taxpaying Units

If it is the rule of equity that those in similar circumstances should be taxed equally, should equal treatment be meted out to *families* with equal abilities or *individuals* with equal abilities? This choice arises in the case of both the income tax and the expenditure tax. Therefore, this question is not dealt with in detail here. However, it may be mentioned that it would be more convenient to adopt the family as the taxpaying unit in the case of the expenditure tax, as otherwise it would become necessary to allocate (arbitrarily) joint consumption among the members of a family.

III

Economic Efficiency

It is often argued that an expenditure tax would promote savings as compared to an income tax. This is said to be its greatest virtue and is made the most important ground for advocating its substitution for the income tax. In this connection we must consider taxes of equal-yield and their impact on both the willingness to save and the ability to save.

It has been argued that under the income tax there is double taxation of savings and that, therefore, the income tax discriminates against savings. Double taxation of savings is said to arise from the fact that the income saved is first taxed and then the income in the form of return on the invested saving is taxed again. How correct is this argument? Literally speaking, it is not true that the income tax subjects savings to double taxation. When income is subjected to taxation first, both the consumed and saved parts are taxed. Later, when the savings are invested and yield income, only the income is taxed and not the invested savings. Hence the units of savings cannot be said to be taxed twice. While this is true, since non-market income (or income in kind) is not brought within the net of the income tax, there is discrimination in favour of that part of income which is used for the purchase of consumer durables *vis-a-vis* the portion saved and invested in assets yielding money income; for the income from the latter is taxed, while the utility flowing from the former is exempt. In the present context 'consumer durables' should be defined to include not merely such articles as refrigerators and automobiles, but also all consumer goods that can be used repeatedly over a period of time. A woollen suit, for example, yields utility for several years; so do books, furniture and paintings. Under the normal income tax, income in kind flowing from these goods is not included in taxable income. Of course, no depreciation is also granted against the expenditure on such goods. Nevertheless, there is substantial discrimination against investments yielding monetary returns.

It would be fair to conclude that the income tax (as we find it in the real world) does discriminate against saving out of ordinary income. However, since unrealised capital gains are exempt, saving in the form of such gains are favoured. A comprehensive income tax, however, would tax gains as they accrue and hence such a tax would discriminate against all savings as compared to an expenditure tax.

The Meade Committee has pointed out the corollary of the above conclusion, namely, that under the income tax the rate of return on savings is made lower than the rate of return on investment, whereas under the expenditure tax they would be equal [Institute of Fiscal Studies, 1978, pp 36-38]. This is claimed as one of the merits of the expenditure tax. What the Meade Committee has in mind is the rate of return on the possible consumption foregone and not on the actual saving. The foregoing statement can be explained by a numerical example. Table 1 considers the case of an individual who earns Rs 150 and can alternatively be subjected to an income tax or an expenditure tax at a (tax-inclusive) rate of 33⅓ per cent. The possible saving is Rs 100 under the income tax but Rs 150 under the expenditure tax and the rate of return on foregone consumption (Rs 100) is reduced to Rs 6 2/3 under the income tax, while it remains equal to Rs 10 — which is the return on investment — under the expenditure tax. On this basis it is argued that there is no inducement to substitute present for future consumption under the expenditure tax. The argument, as we shall see below, is subject to qualification.

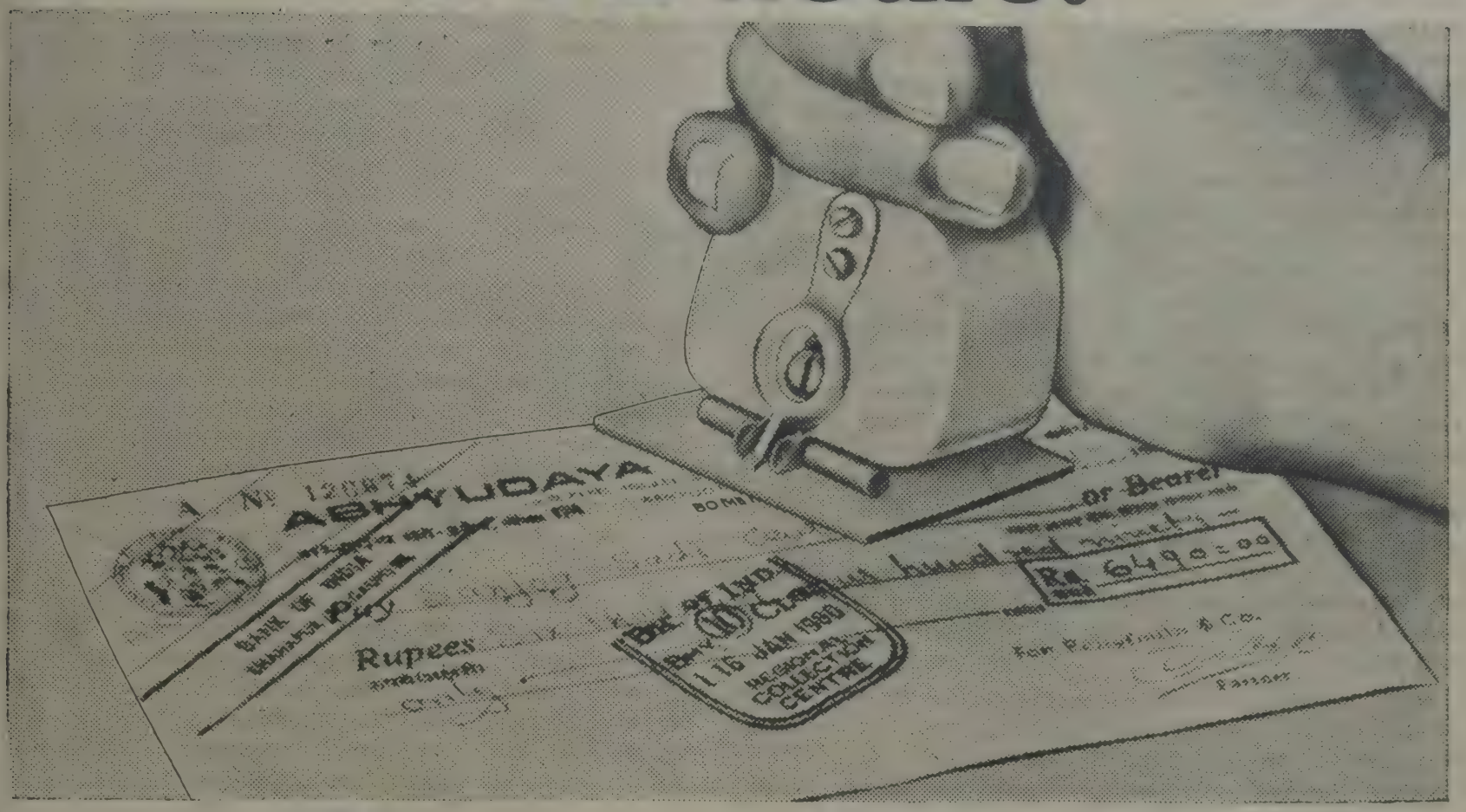
Table 1: Impact of Income and Expenditure Taxes on Return on Saving

Part I	Income Tax (Rs)	Expenditure Tax (Rs)
Earning	150	150
Tax on earning	50	—
Possible consumption	100	100
Tax on consumption	—	50
Part II		
Possible saving	100	150
Return on saving at 10 per cent	10	15
Tax on return	3 1/3	—
Possible consumption out of return	6 2/3	10
Tax on consumption	—	5
Total consumption possible out of saving and return	106 2/3	110
Total tax payable	55 1/3	55

By not consuming the income in the first year, the individual is able to postpone tax payment under the expenditure tax, whereas he cannot do so under the income tax. By not consuming the return on investment, the tax payment can be further postponed under the expenditure tax. When consumption takes place, the postponed tax has to be paid. Still, the individual may gain because of the tax deferral, but by a much smaller amount than the tax originally postponed.

It is often forgotten, in popular discussion, that an expenditure tax can be avoided only in so far as consumption is postponed. If for a moment we rule out bequests, anyone who saves will have larger consumption later; so, he would pay less tax earlier but more tax later than if he does not save (and than under the income tax), as seen in Table 1. Therefore, the entire expenditure tax saved temporarily through an act of saving at a given time cannot be taken to constitute the incentive to save. Thus in Table 1, the initial saving (postponement) of tax is Rs 50, but the ultimate gain is only Rs 3.

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Apart from the desire to consume later in life, the desire to accumulate also is a motive for saving. People wish to accumulate, because the possession of wealth gives security, prestige and the power to control economic activities and makes possible bequests. If bequests and gifts are not allowed, there would be a strong tendency to decumulate in order to consume in the later stages of one's life. To the extent that the expenditure tax would prevent this by absorbing a good portion of the dissaving, the incentive to save in the earlier part of life would be adversely affected. The position changes, however, once bequests are allowed, i.e, if the law sanctions bequests and they are not taxed at confiscatory rates. Under these conditions, the desire to save will be stronger under the expenditure tax than under the income tax because under the former the tax on the part of income saved can be indefinitely postponed. The saver would enjoy the benefits that the possession of wealth yields during his life time and then have the satisfaction of passing on his savings to his descendants.

Most individuals pass on only a relatively small amount of wealth to their heirs. Hence in their case, life-time income and life-time consumption would be nearly equal. As between two individuals who have the same income in the early part of their working lives, the one who saves more and invests the saving remuneratively, would have a larger life-time income than the other, but he would also have a greater amount of consumption. This being so, would the incentive to save be still greater under the expenditure tax than under the income tax where life-time consumption and income are equal? The answer is that the incentive to save would be higher to the extent that there is gain of interest on the tax deferred through lower consumption in the earlier years. Thus, in the example given in Table 1, the gain in income is Rs 5 which is the return on the Rs 50 of tax deferred, and the possible consumption out of it, allowing for the expenditure tax, is Rs $3\frac{1}{3}$. It follows that the magnitude of the favourable impact of the expenditure tax on the willingness to save, as compared to the income tax, depends upon the interest elasticity of saving. If this elasticity is greater than zero, the expenditure tax can be said to stimulate the willingness to save out of a given level of income.

This much can be said if the comparison is between proportional expenditure and income taxes levied at the same rate. But it has been argued that we should really be comparing equal-yield income and expenditure taxes. In an economy where there is positive saving, the expenditure tax would have to be levied at a higher rate (in terms of expenditure) than the income tax to obtain the same yield. There is the possibility that the higher rate needed in the case of the expenditure tax might lead to a reduced incentive to earn income because the return to effort in terms of units of consumption would be reduced. As against this, it must be remembered that persons whose propensity to save is equal to the average for the community would find that though the nominal rate of expenditure tax is higher, since they do not consume all the income, the effective rate in terms of income would remain the same. Of course, those with lower than average propensity to save would find that burden on them has increased. Taking the community as a whole, however, the impact on the incentive to work may not turn out to be very substantial. Therefore, even though the replacement of the income tax by an equal-yield expenditure tax might mean some reduction in the level of income in the private sector, since the rate of savings out of that income would be higher, total savings might in all probability increase.

If the expenditure tax were to be levied on a progressive scale, it can be reasonably assumed that the spendings out of capital plus return, if accumulation is carried out over a period of years, would be subject to a higher rate of tax than the rate applicable when consumption was postponed. The rate of return on savings would then become lower than the rate of return on investment. Moreover, if the expenditure tax were to be made steeply progressive, the marginal rates going up to 200 and 300 per cent (the income tax rates do not exceed 100 per cent), not only would the gain through the interest on the tax deferred be wiped out, but the rate of return to work and savings in terms of units of consumption would also become very low. The willingness to save would be correspondingly damaged. We shall assume here that such confiscatory rates would not be applied.

Consider now the ability to save. There is no doubt that if the income tax is replaced by the expenditure tax, the ability to save would increase. Thus, the owner of a proprietary business would not pay any tax on profits that are reinvested. This would increase his capacity to save significantly. If simultaneously the existing tax on corporate profits were also to be converted into a tax on withdrawals or a cash flow tax, the ability to save in the private sector would be considerably increased.

Here again one must keep in mind that individuals and families earn income to spend on consumption today or tomorrow, and to bequeath property to heirs. Insofar as high income earners are motivated by the desire to consume and hence wish to maintain fairly high consumption standards, their ability to save will be eroded by a progressive expenditure tax. However, those with an inborn high propensity to save would find it much easier to save. The same applies to well-run profitable corporations also. But the ability to save must be supported or buttressed by the willingness to save. If life-time savings are meant to be used mainly for life-time consumption (sooner or later), a progressive expenditure tax will not strengthen significantly the willingness to save. However, it must be conceded that such a tax would induce people to defer consumption so that it is more evenly distributed over their life time. To this extent, there would be a shift in the propensity to save. Moreover, as we have seen, if the possession of property and bequests are not penalised severely, the willingness to save would be higher under the expenditure tax than under the income tax. Under such conditions, the ability to save would be supported by sufficient willingness to save.

We may conclude that, on a balance of considerations, the replacement of the income tax by the expenditure tax may be said to increase private savings and shift the tax burden to some extent from savers to non-savers at each level of income. This tendency would be stronger (a) if wealth holding and bequests are not severely penalised and (b) if the government is willing to undergo some reduction of revenue in the short term.[4]

What is to be remembered is that for the favourable impact of the expenditure tax to materialise, accumulation should be encouraged at least

upto a point and bequests should not be taxed too heavily. The idea that through the combination of a progressive expenditure tax and heavy wealth and inheritance taxation we could both promote saving and reduce inequalities of wealth substantially is ingenious, but quite unrealistic. As will be shown later, full exemption of saving from taxation is more or less equivalent to the exemption of the return on capital. Wealth taxation, on the other hand, is another form of taxing the return on capital. The higher the taxation of capital, the greater is the swamping of the favourable impact of the expenditure tax.

Income can be used for consumption or for accumulation. The alternative to earning income is leisure. Thus the enjoyment of leisure is an alternative to the enjoyment of the benefits flowing from consumption and accumulation. It follows that both the income tax and the expenditure tax favour leisure by changing the marginal rate of substitution between leisure on the one hand and income and consumption on the other. Further, since non-market activities such as household production and consumption are not normally covered, these two taxes have the tendency to shift more of effort into such activities. If the two taxes are levied at the same rate, their impact on the incentive to work (i e, to take up work carrying monetary rewards) would be the same. However, as we have indicated earlier, if the expenditure tax is levied at a higher rate to obtain the same revenue from the expenditure tax as from the income tax, incentive to work might suffer somewhat more under the expenditure tax.

If no loss offsets are granted under the income tax, the expenditure tax would be clearly superior to the income tax in not disfavouring risky investment. In most countries, at least partial loss offsets with carry backward and/or forward provisions extending to some years are granted under the income tax. Nevertheless, the expenditure tax would, "have the edge in this respect unless life-time averaging is available under the income tax. Under the expenditure tax, the investor through his saving decisions can establish a tax-free reserve against losses; if this reserve later proves inadequate, he can still reduce his tax liability by cutting his consumption [Goode, R, 1978, p 10].

IV

Administrative Convenience

Tax administrators usually contend that it would be considerably more difficult to administer an expenditure tax than an income tax. In putting forward this contention, they implicitly compare the present form of income tax with the full-fledged expenditure tax. Economists favouring the expenditure tax on the other hand argue that it is almost impossible to administer an equitable form of income tax; in saying this they have in mind the comprehensive income tax which they contrast with the expenditure tax.

If we wish to have the income tax as the main form of direct taxation, the rule of equity requires that income for tax purposes should be so defined as to adequately reflect spending power. If the definition of income is defective, people in similar circumstances would get taxed unequally. Now, the contention of some of those favouring the expenditure tax is that while it is theoretically possible to define income in such a manner as to cover all important elements of spending power, in practice, it is difficult or even impossible to measure many of them so that we end up by having an income tax base which is extremely defective. This leads to gross inequities.

The definition of income preferred by economists is the one based on the so-called accretion concept. According to this concept, the income during a period should be taken to equal consumption plus increase in net worth. If gifts and bequests are assumed away for the moment, consumption plus increase in net worth would be equal to

all earnings including investment income minus costs of earning and depreciation;
net accrued capital gains and imputed value of the services or utility of non-business assets owned minus depreciation and costs of maintenance;
imputed value of the services rendered by members of the household to themselves; and
casual receipts like lottery prizes.

A strict interpretation of the accretion concept would require that gifts received during a given period should also be included in income. Gifts made during a period could be included in the consumption of the donor so that consumption plus net worth would equal accretion. Alternatively, since gifts are included in the income of the donee, they may not be taken to form a part of the consumption of the donor, but may be included in the net worth or consumption of the donee himself according to what he does with them. But most fiscal economists are inclined to treat gifts and bequests separately and subject them to a separate tax on gifts and estates, or on accessions.

Several of the elements mentioned above can be measured only with great difficulty or cannot be measured at all. We may indicate here four of them in particular. There is, first, the accrual of income in the form of a share in the undistributed profits of companies. Though suggestions have been made for the full integration of the corporation tax and the individual income tax under which the shares in the undistributed profits of corporations would be taxed in the hands of the respective shareholders, it is widely agreed that the integration of the two taxes leads to insuperable difficulties.

Secondly, there is the accrual of capital gains on assets owned. Since several of these assets such as unquoted stock and physical assets of proprietary businesses are not traded continually, it is difficult to compute their market value from year to year. Moreover, taxation of net capital gains on an accrual basis is likely to lead to hardship (liquidity problems for taxpayers).[5] Hence capital gains can in practice be taxed only on a realisation basis. This leads to tax deferral and the consequent lowering of tax burden for some individuals. Moreover, the taxation of realised capital gains under the progressive income tax often requires that the gains be averaged over a period of years in order to avoid inequity. Finally, there arises often the problem of separating out real capital gains from nominal increases in monetary values through inflation.

Thirdly, there are items of income in kind in the form of utility flowing from non-business assets owned by the taxpayers and in the form of services rendered unto themselves by the members of a family. Imputation of proper values to these items of income in kind is almost impossible. However, some of these goods such as yachts and paintings undoubtedly yield a considerable flow of utility to their owners, who would be asked to pay more taxes if they had invested the same funds in money income-yielding assets instead.

Fourthly, in the case of businesses,

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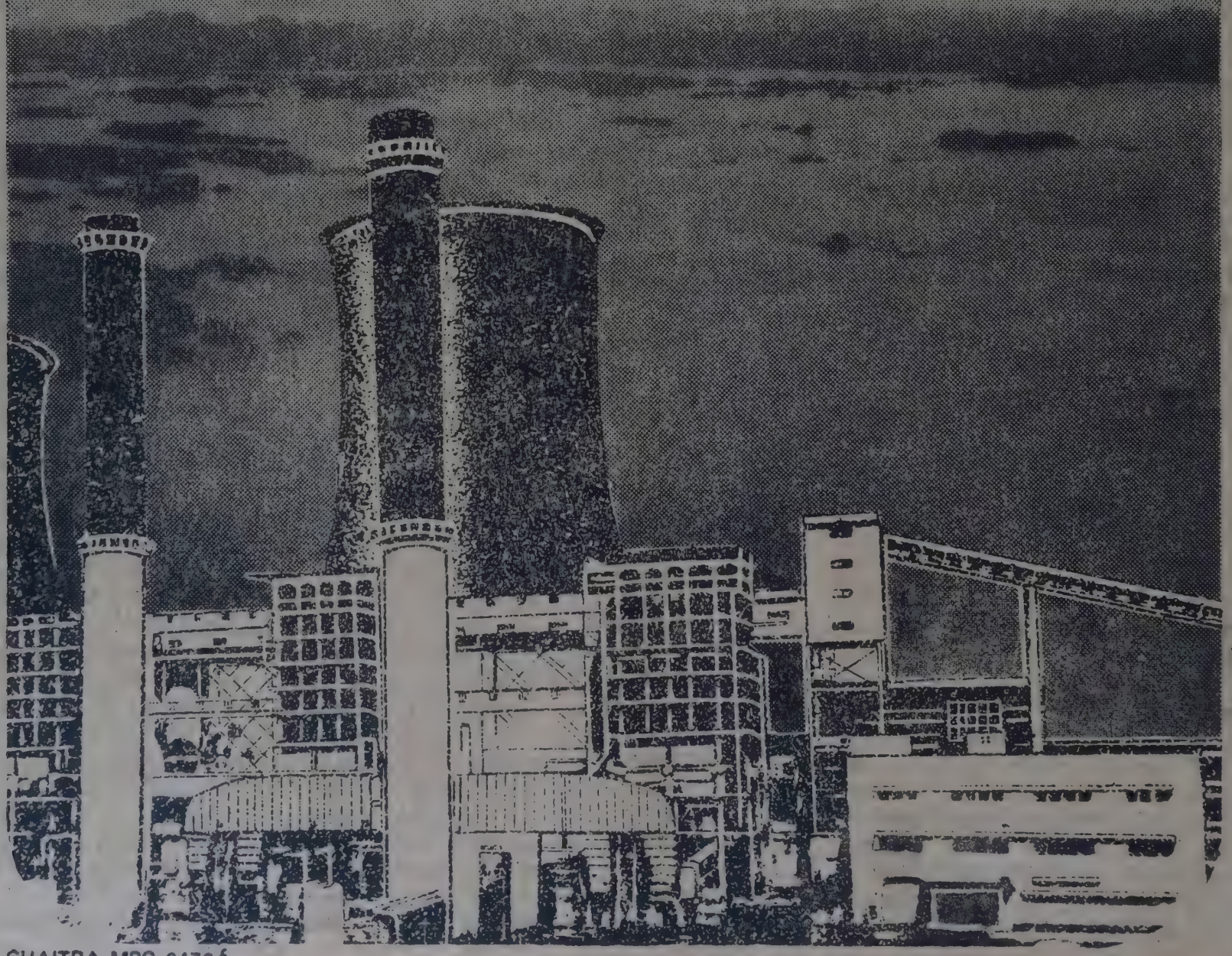
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economic depreciation has to be worked out in order to derive true income. As is well known, this is a Herculean task, even if there is no inflation in the general price level. Apart from other things, the wear and tear of machinery depends on the number of hours used and the intensity of use, and it is impossible to keep account of these magnitudes in respect of each and every item of machinery.[6]

The superior claim of income as an index of ability to pay will be tenable only if it is comprehensively defined. The defective coverage in practice does lead to inequities and distortions. First, the less inclusive the base, the higher has to be the rate to obtain a given revenue. Second, inequities are accentuated with the progression in the scale of taxation. Third, the non-inclusion of certain elements of income, particularly accumulation in the form of unrealised capital gains, means that some forms of saving undertaken by the rich are exempt from income tax, while saving out of ordinary income is not. Of course, capital gains can be, and are, taxed on realisation, but that has its own problems, e g, the lock-in effect and the discrimination as between those who realise capital gains and reinvest them and those who do not realise them.

Besides all these problems, general inflation that has become endemic in the modern world creates several complications in the equitable application of the income tax. Inflation adjustment is needed on two accounts: a) to compute true profits or income from capital by eliminating the effects of changes in the general price level on the value of assets and liabilities and by increasing the nominal amount of depreciation allowance to ensure the maintenance of the real value of depreciation; and b) to prevent the real burden of taxation from increasing in an uncontrolled manner at given levels of real income, by enlarging the rate brackets and the exemption level. The latter type of adjustment would be called for under both income and expenditure taxes, if they are progressive, and will not be dealt with here.[7] The former type of adjustment is not only difficult conceptually but will impose a large burden on the administration, because adjustments have to be made not only to depreciation but also to the valuation of investories, debts and interest payments.

In a time of inflation, part of the income from a financial asset whose value is fixed in monetary terms, e g, a savings bank account, will be needed to maintain the real value of the asset; only the remainder can be said to constitute true money income. Similarly, if depreciation is based on historical cost, the annual percentage depreciation allowance granted will have to be increased by the index of the general price level. Conversely, in the case of debts, the fall in their real value should be taken into account on the credit side. In principle all this could be done, but any attempts in this direction in practice would constitute an administrative nightmare. Consider, for example, the adjustment to be made to the value of cash held taking due note of the differing lengths of time during which different parts of today's hoard were held. Strictly speaking, every item of asset and liability should be revalued.

Faced with these formidable difficulties in the designing and enforcement of real-world income taxes, we are forced to compromise or to leave out altogether certain important elements of income. Thus, capital gains are taxed only on a realisation basis and often at modest rates. Income received in kind from consumer durables is left out. This leads to inequities as between a taxpayer who invests money in paintings, yachts, etc, and another who invests in income-earning assets. (Income in kind from owner occupied houses is however included in taxable income, but the law favours the owner-occupier as against the one who lets out his house as well as the one who lives in a rented house other than that provided by government.) The method of trying to reach undistributed profits through a flat-rate corporations tax is quite unsatisfactory and is heavily loaded against the small-income shareholders. Adjustments for inflation are often not made at all or made only sporadically. Altogether it can be said that the income tax as we find it in our country or in most other countries falls far short of an equitable tax.

The contention of some fiscal economists[8] is that it is much simpler to administer a comprehensive expenditure tax than a comprehensive income tax. Several of the difficulties that we would face in enforcing a comprehensive income tax would not arise in the administration of an expenditure tax for the reason that in order to arrive at consumption expenditure it is not necessary to compute a true measure of income as reflecting accretion. It is necessary only to compute total receipts or earnings net of the cost of earnings and to subtract from them the increase in net worth. Measurement of expenditure can be based mainly on cash flows, whereas that of income involves to a much larger extent imputation of values to non-market accruals. In the case of businesses only withdrawals would be taken into account. If the increase in net worth computed from the balance sheet is subtracted from gross receipts minus the operating expenses, we derive withdrawals. Thus there is no need to work out depreciation. Again, the first type of inflation indexation we referred to earlier, namely, the one of capital-income adjustment, would not be necessary because there is no intention of deriving 'true' profits. As for capital gains, they cannot be used for consumption unless they are realised and so no account need be taken of the mere accrual of gains. Even when gains are realised, they would not be subject to tax if they are reinvested and hence the lock-in effect would not arise.

In the case of consumer durables, the problem of imputation would arise if it is desired to include the value of their services in current consumption. This problem can be avoided by including the cost of the durable consumer goods in taxable consumption at the time of purchase.

Would it then be correct to conclude that the administration of the expenditure tax would be relatively easy? A clear-cut answer to this question cannot be given, because while several intractable problems arising in the administration of the income tax can be avoided, the expenditure tax brings in its own problems.

First of all, from gross receipts or earnings, expenses of production or costs of earnings have to be deducted, in order to arrive at the total of spendable receipts. In ascertaining true expenses of production we would be faced with the familiar problem of expense account consumption. Indeed, this would be exaggerated under an expenditure tax, and unless there is some form of taxation of corporate expenditure, there would be large-scale avoidance of expenditure tax through pushing more and more of personal consumption into business consumption.

Secondly, since the volume of consumption has to be derived as the difference between receipts and increase in net worth, the enforcement of an

expenditure tax inevitably involves the computation of increases in net worth from year to year. Those countries which have a tax on net worth cannot argue that they are not capable of estimating increases in net worth fairly accurately. However, even there additional administrative tasks would arise because all items of wealth are not taxable and there would be several persons not liable to the net worth tax who would be liable to pay the expenditure tax. The Meade Committee and the US Department of Treasury's Report seek to tackle the problem of monitoring changes in net worth by proposing the creation of a category of accounts called registered or qualified accounts, which could be managed by banks and other approved financial institutions. Investments in assets which would qualify for exemption under the expenditure tax would have to be done through the registered accounts. Payments into registered accounts would be considered as contributing to an increase in net worth whereas withdrawal from such accounts would be considered equivalent to consumption. It is obvious that the maintenance of these accounts and their checking would involve costs. Even if banks are willing to maintain the accounts, they would not do so free of charge.[9] Under Indian conditions, it would not be feasible to adopt this device. Branches of banks in the smaller towns would not be in a position to undertake investments of varied kinds on behalf of the taxpayers. Collusion between the taxpayers and some of the lower level banking staff cannot also be ruled out. However, financial investments of the standard type could perhaps be entrusted to the banks and they might be able to undertake such investments without difficulty.

If the expenditure tax is made progressive, as it is bound to be, another major problem will arise in regard to the treatment of lumpy expenditures such as on expensive consumer durables, marriages, and children's education which is usually concentrated within a short span of years. Since the tax will be progressive, taxpayers will be pushed into higher tax brackets in the years in which they have to incur lumpy expenditures. Thus, a heavy tax will have to be paid at the time of the purchase of a house, although its services would be utilised over a period of several years. The problem caused by lumpiness can be got over if some assets such as cash and demand deposits are kept out of registered accounts. If the taxpayer funnels part of his earnings into these assets, which can be said to constitute an unregistered account, he would be liable to pay the expenditure tax on that amount. But this arrangement would enable him to build up funds needed for lumpy expenditures over a period of time, paying tax only at a moderate rate. However, this will not be appropriate in cases where substantial capital gains can be made on the resale of the durable good e g, a house or a painting.[10]

If a system of registered accounts is not to be introduced, it would become necessary for the taxpayer to report on changes in net worth every year and for the tax authorities to check the statements. Therefore, the enforcement of the expenditure tax would involve considerable additional work for the taxpayers and tax authorities in countries where a net worth tax does not already exist.

In spite of these important operational problems that need to be tackled in enforcing an expenditure tax, it cannot be denied that the accounting requirements and detailed adjustments needed for administering an equitable expenditure tax are far less than those required for administering a comprehensive income tax. "The cash flow tax would greatly simplify tax accounting and tax administration regarding real and financial assets. Accounts to determine capital gains, depreciation, and inventories — among the most complex necessitated by the current tax codes — would no longer be required" [Department of US Treasury, 1970, p 119].

V

Summing Up

It is clear that the existing form of income tax leaves much to be desired; it does not mete out even justice among the taxpayers because the definition of income for tax purposes is defective and almost no worthwhile adjustment for inflation is made in computing income from capital. On the other hand, it does not seem practical to convert the existing defective income tax into a comprehensive income tax. The more progressive the non-comprehensive income tax without anflation adjustment is made, the more inequitable and harmful it becomes.

The expenditure tax would not necessitate inflation indexation for adjustment of capital income. Hence in times of inflation a tax with expenditure as the base would more easily satisfy the rule of equity in the sense that the chosen base can more accurately measured.

As regards the impact on economic incentives, it cannot be said that the expenditure tax would be clearly superior to the income tax. It would seem to have some edge in being neutral as between less risky and more risky investments and in increasing the willingness to save. However, since the expenditure tax would have to be levied at a higher rate than the income tax, the former is likely to have a slightly more damaging impact on the incentive to earn income. The income tax also does affect the ability of people to save. The existing form of income tax, however, facilitates saving in the form of accrual of capital gains but makes it difficult to save out of ordinary income. This is one of the more objectionable features of the real-world income taxes.

Substitution of the income tax by the expenditure tax would certainly increase the ability to save of individuals and businesses. It would also strengthen their willingness to save provided wealth holding is not severely penalised and bequests are permitted without very heavy taxation. While a tax on wealth can have a place in the tax system (because the possession of wealth adds to the ability to pay tax of an individual), heavy wealth taxation with a view to substantially reducing inequalities of wealthy would be inconsistent with the principle of the expenditure tax.

The major attraction of income as the tax base is that it more truly reflects ability to pay than any other single base. Switching over completely to expenditure as the base would mean a marked departure from the principle of ability to pay. The corollary of it would be that all income that went into accumulation would escape taxation until it was used for consumption at some future date. If a major defect of the real-world income tax is that it does not reach all forms of accumulation or increases in net worth that are part of income, the defect of the expenditure tax (for those who do not wish to abandon the principle of ability to pay) would be that it leaves out all increases in net worth! The consequence of fully exempting saving from tax would be better appreciated if it is remembered that such an exemption is more or less equivalent to the exemption of all capital income (return on investment) under the income tax. This equivalance may be

TABLE 2: IMPACT OF EXPENDITURE TAX AND INCOME TAX WITH CAPITAL INCOME EXEMPT

	Expenditure Tax (Rs)	Income Tax (Capital Income Exempt) (Rs)
Earning	150	150
Tax on earning	—	50
Possible consumption	100	100
Tax on consumption	50	—
Possible saving	150	100
Consumption foregone	100	100
Rate of return on investment at 10 per cent	15	10
Tax	—	—
Possible consumption out of return	10	10
Possible consumption out of saving plus return	110	110

seen by taking the example of an individual who earns Rs 150 and saves initially all his net-of-tax earnings. He will be affected by the expenditure tax and the income tax with exemption for capital income, as shown in Table 2. The individual could have the same amount of consumption out of the return on saving under the two taxes. Life-time consumption out of savings could also be the same. The two taxes become equivalent, if labour earnings and return from savings are all consumed within life time.

While there would be general agreement that savings should be promoted and that greater emphasis should be placed on the reduction in disparities in the standards of consumption in the present stage of development of our economy, the prevailing notions of equity would not favour more or less complete exemption of capital income from the income tax. This is the main argument in equity against the full replacement of the income tax by the expenditure tax.

If the income tax is fully replaced by the expenditure tax, there would be no strong ground for levying a tax on corporate profits. In terms of equity the tax on corporate profits is intended mainly to reach undistributed profits and thus supplement the taxation of personal incomes. Such a tax would no longer be called for, if accumulation is to be excluded from the personal tax. Not merely that; a tax on corporate profits would be inconsistent with the personal expenditure tax. Under the latter, owners of unincorporated businesses would be paying tax only on withdrawals from business, i e, on receipts including sale proceeds (net of operational costs), borrowings and capital gains *minus* expenses of production *minus* capital investments. A tax on total profits of corporations including capital gains cannot co-exist with the taxation of withdrawals only in respect of non-corporate businesses.

The Meade Committee has suggested that if some tax on corporations is desired to be levied (say, as a charge for the benefits flowing from limited liability), it could take the form of one variant of a cash flow tax. If the income tax is replaced by the expenditure tax at the personal level and the corporation tax is converted to a cash flow basis, all accumulation in the private sector would go untaxed[11] and the effective owners of corporations would enjoy a great bonanza. These consequences are not in line with prevailing notions of equity and it is doubtful that most people in our society would wish to go so far in the quest of promoting saving. Now would it be safe to permit fully tax-free accumulation in all limited companies? We know that there are many ways of milching companies other than stright forward withdrawals.

In India, as in many other countries, the majority of income taxpayers are salary earners; and most of them need not file returns since the employer can deduct the proper amounts of tax after adjustments for minor items such as provident fund contribution and deductions or additions. In the case of the expenditure tax, end-year adjustments for changes in net worth would have to be made and checked. Even if self-assessment is to be accepted upto a certain level, it would mean that a great number of people who do not file returns under the income tax will have to do so under the expenditure tax. The consequent inconvenience to a host of small taxpayers and the increase in administrative costs should not be underestimated.

On all these grounds, one has to rule out the full replacement of the income tax by the expenditure tax in our country.

However, this is not to deny a place for the expenditure tax in our system. Given the inherent defects of the real-world income tax, the near-impossibility of converting it into a comprehensive one and the tendency of any tax on total income to discriminate against savers, a highly progressive income tax without adequate provision to encourage savings is simply not to be considered seriously. Those who dogmatically assert that we could have either a pure income tax or a pure expenditure tax, but not a combination of both, perhaps do not realise that our present 'income tax' is in fact a mixture of the income and expenditure tax principles. For example, the treatment under the existing income tax of provident fund, life insurance and cumulative time deposit (CTD) payments is a straightforward application of the expenditure tax principle.[12] We have, in other words, sought to mitigate the deleterious effects of the income tax by the provision of exemption from tax of some forms of savings. In the event, the two elements have come to be haphazardly mixed.

If we take the Indian tax system as a whole, we find again the combination of the income and expenditure principles. The excise and sales taxes, which are taxes on expenditure, predominate in our system. The difference between these and the direct expenditure tax is that the latter can be made progressive with reference to the total expenditure of a taxpayer and his family circumstances in a way that the former cannot be. We shall indicate below the merit of shifting a part of the burden from commodity taxes to the direct expenditure tax.

Since a highly progressive income tax on the basis of a non-comprehensive definition of income and with no provision for the exemption of at least some forms of saving is to be ruled out, the real choice is whether we should have a progressive income tax with fairly comprehensive deductions for different forms of saving or whether we should have a combination of two taxes: a) more moderately progressive income tax with only very limited exemption for savings and b) a separate expenditure tax, in the nature of a surcharge on income tax, which would be applicable to individuals or families with an annual expenditure above a certain level. The latter alternative is clearly preferable for certain important reasons.

First, the special merit of the expenditure tax is that it would also cover consumption financed out of past savings. Exemptions for savings under the income tax cannot normally be designed to benefit only the true saver because a man who enjoys the benefit of such exemption provisions can always finance his consumption through the sale of assets. A taxpayer who has no net saving or has a negative saving can still avail himself of the benefit of these

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* Let us eradicate despondency in our educational system and help establish the need of the working classes in this regard.

* Let us protect the interests of the agricultural labourers and small peasants and help accelerate the pace of agricultural development and land reforms.

* Let us revitalize the state's industry.

* Let us strengthen the co-operation between the Government and the people.

* Let us be vigilant against reactionary forces and vested interests..

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provisions by converting part of his past savings into cash and using it for investments that qualify for exemption. It is only an expenditure tax that can ensure that the benefits of the favourable treatment of savings are enjoyed by the net saver only.

Secondly, if we have both the income tax and the expenditure tax, it would be possible to tone down the degree of progression in the income tax. This would automatically mitigate the inequities arising from the defective definition of the income tax base and the effects of inflation.

Thirdly, as of now, the combined impact of a highly progressive income tax and the wealth tax is such as to absorb the entire income from property above a certain level of income. Apart from the impact on incentives, the kind of high incidence which wipes away the income of the taxpayer acts as a strong spur to evasion. A more moderately progressive income tax can be administered with a greater degree of fairness. If it is combined with a moderately progressive expenditure tax, we could still achieve an adequate degree of progression with reference to consumption expenditure without unduly impairing the incentives to earn and to save. At the same time, we would be shifting the burden of taxation to some significant extent from those with a higher propensity to consume at each level of income.

The fourth reason for favouring the introduction of the expenditure tax is that it would enable us to tax the large consumption of the rich in a discriminating manner without affecting the common man. Today we rely predominantly on commodity taxation to check conspicuous consumption. A number of commodities are classified as luxuries and high rates are imposed on them. Implicitly, luxury consumption is defined on the basis of the nature of commodity consumed, whereas it would be more appropriate to define it on the basis of the total value of consumption. The expenditure tax would be neutral between different kinds of consumption, unlike commodity taxes which are levied at different rates. While some differentiation in the rates of commodity taxes is necessary and desirable, very high rates of taxes on a large number of commodities produce a dichotomy in society: One small group of people who can afford to consume even the most highly taxed articles because of their riches, or because they control corporations or are at the top of the governmental hierarchy, and another class, namely, the vast majority of the people, who cannot afford to consume any of the so-called luxuries. It would be a far better method to restrict the consumption of the rich through a direct tax on expenditure and simultaneously reduce the rates of taxes on commodities in general, so that many of them would come within the reach of the common people.

VI

Policy Recommendations

(a) Incidence of Tax and Existing Incentive Provisions

Extravagant consumption indulged in by a large number of the rich out of concealed income, as revealed from time to time through raids by tax officials, is a pointer to the failure of the tax system in achieving the objective of curbing non-essential and conspicuous consumption. It is, of course, not to be assumed that if only the rates of tax could be reduced, there would be no serious attempt at evasion. However, a fairly high rate of wealth taxation in addition to a progressive income tax co-existing with large-scale evasion is *prima facie* evidence of the design of the tax system and the policy underlying it.

The direct tax system in India is not harsh on the middle classes and contains incentive provisions that are ample for the magnitudes of savings within the reach of these classes.[13] For example, although the income tax exemption level is only Rs 10,000 per annum, a salaried individual working in one of the large cities and earning a salary plus allowances (including house rent allowance) of around Rs 15,000 per year will not be liable to pay any income tax, if he saves/invests Rs 2,500 in approved forms. Moreover, if the husband and the wife both earn income, it is quite possible that the family would not pay any tax until the combined income reaches a level of around Rs 25,000. However, the direct tax system falls with severity on the upper income groups. The income tax has a fairly high degree of progressivity, the maximum marginal rate being 72 per cent at the level of Rs 1 lakh. In addition, the wealth tax is levied at rates ranging from 0.5 per cent to 5 per cent, and capital gains, both short-term and long-term, are also subject to tax. The rates of tax on corporate profits range from 59.12 per cent in the case of widely held companies with income exceeding Rs 1 lakh to 69.87 per cent for non-industrial private limited companies. For none of these taxes, there is indexation for inflation for calculating any part of the taxable income. In the case of companies, the nominal rates are reduced to a substantial extent through concessions such as the tax holiday, the backward area allowance and the investment allowance. However, in the case of personal income taxation, since there are relatively low absolute and relative ceilings on the amount of income that would be exempt from taxation on account of the incentive provisions, the benefit to the upper income groups is not such as to blunt the sharp edge of progression beyond certain income levels. Moreover, the impact of the income tax is to be taken together with that of the wealth tax. For example, even if incentive provisions are availed of, the combined incidence of income and wealth taxes would amount to 52 per cent of income at the level of income of Rs 1 lakh, the wealth tax liability alone constituting 16 per cent of income. At the level of income of Rs 2 lakh, the combined incidence would amount to as much as 87.0 per cent of income. (In arriving at these figures, an average rate of return of 8 per cent is assumed; it is also assumed that the taxpayer has only property income.)

It is not that the rich individuals generally pay tax at these rates. Tax avoidance through such methods as spliting the wealth among the members of the family and creation of private trusts, as well as outright tax evasion are known to keep the effective rates low. This only means that we succeed in neither reducing inequalities of income nor curbing non-essential consumption.

Incentive provisions under the personal income tax are related to investments in specified financial assets. Two kinds of concessions are granted. First, the whole or part of the amount of money (subject to limits) channelled into specified assets is deductible from taxable income. Second, income from certain categories of financial assets is exempted from tax upto a maximum. Under the first kind of concession, contributions to approved provident funds, payments of premia for life insurance policies or deferred annuities, etc, are deductible, wholly upto a level and partly above that level, subject to maximum limits. Under the second type, income from units of Unit Trust of India (UTI), interest on deposits in nationalised and co-operative banks and

dividends from shares of Indian companies are exempted from tax upto Rs 3,000; in addition income from UTI is separately exempted upto Rs 2,000. Similarly, exemption is granted to interest on Post Office saving deposits and on various types of saving certificates issued by the Post Office. In the latter case income to be exempted is not subject to any limit but the amounts that could be deposited by an individual or a family are subject to limitations.

Certain concessions are also available under the wealth tax in respect of investments in specified assets. There are four separate but similar concessions, all in the form of exclusion of specified investments from the tax base. They are:

(i) the value of one house subject to a maximum Rs 1 lakh;
(ii) bank deposits, units of UTI, shares of Indian public limited companies and assets forming part of an industrial undertaking belonging to the taxpayer subject to a limit of Rs 1.5 lakh + an additional amount of Rs 25,000 for units of UTI;
(iii) gold bonds and balances in provident funds and the interest in life insurance policies without limit;
(iv) equity shares of new industrial undertakings in priority sectors forming part of initial issue without any limit, but the exemption being applied to each share purchased for 5 years.

It will be noticed that the existing incentive provisions under the personal income tax are linked to what may be called long-term investments. Deductions are available only in respect of fairly long-term commitment of funds. Again, the exclusion of income from specified investments by its very nature requires that assets should continue to be held if the concession is to be availed of. This emphasis on locking-in of investments has become necessary because otherwise taxpayers could avail themselves of concessions on fictitious or temporary savings effected for a few months before and after the time of filing returns.

The existing incentive provisions under the income and wealth taxes have done something to mitigate the impact of the progressive income and wealth taxes on saving, but they suffer from several demerits. The main shortcoming of the provisions under the income tax is that in spite of the requirements that funds should be locked into specified assets (for periods ranging from 5 to 12 years), they (the provisions) are not really linked to an act of net saving on the part of taxpayers at the time of getting the concession. A change in the asset portfolio or switchover of investments would by itself earn the concession even if dissavings are taking place in the same year. It could be argued that it would not be possible for most of the taxpayers to continue investments such as contributions towards provident fund and life insurance without net savings.[14] The richer taxpayers who contribute a substantial part of the total tax can, however, easily spend out of past savings while merrily taking advantage of the incentive provisions.

The second demerit of the existing provision is that the deductions for investment are subject to fairly low limits. Thus, deductions for contributions to provident fund, payment of life insurance premia, etc, are limited to Rs 30,000 or 30 per cent of gross total income, whichever is lower. For obvious reasons, the 'exclusion of income' from tax base is also subject to a low limit. This means that the richer taxpayers who have the larger capacity to save are not effectively induced or influenced to undertake the saving because the benefit they will get would hardly make any difference to their economic positions. It follows also that the concessions do not do much to mitigate the rigour of the joint impact of the two taxes. The maximum saving in tax that one could gain is only Rs 11,340.

Apart from the effect on incentives, the capacity to save is severely curtailed by the existing system. On the other hand, the concessions in the present form cannot be enlarged because of the fact that they can be earned even while net savings are not taking place or dissaving is being made.

There are no provisions that penalise dissavings except the one requiring back-collection of tax when provident funds are withdrawn before the stipulated period or a Unit-linked insurance policy is terminated prematurely. Since there is no linkage to changes in net worth and as a consequence there has to be a requirement of long-term commitment of funds, the concessions are largely confined to savings in the form of provident fund, life insurance and CTD. Thus, in practice, the bulk of the concessions seem to be more effective in enabling government to borrow funds at low rates of interest than in stimulating savings in the private sector.

While the tax system does not contain any effective provision to penalise dissaving, the rates of wealth tax are pushed up, from time to time, in the name of either reducing inequalities or raising more resources. The net result is that a high degee of evasion is induced and savings tend to be discouraged; tax evaded money is largely used for consumption purposes including the purchase of expensive consumer durables. And it is well known that high consumption is sustained by black-money and the expense account.

We may conclude that the present incentive provisions are too restricted in scope, and since they are not directly linked to net savings, they are not effective in discouraging consumption or curbing dissaving. As they are, they constitute a marginal amendment to the structure of the direct tax system. What is needed is a thorough-going rationalisation of the tax system so that it could be converted into an effective instrument to promote saving and to restrain consumption without losing sight of the criteria of equity and social justice.

(b) Introduction of Comprehensive System of Direct Taxes

In place of the existing system, a more comprehensive system of direct taxes should be introduced. The guiding principles of the new system should be the enlargement of the base coupled with more moderation in the rates of income tax (both personal and corporate), simplification of several provisions and greater emphasis than hitherto on the objective of directly reducing disparities in the standards of current consumption. The comprehensive system should contain a personal income tax with lower rates, a net worth tax, a direct tax on non-essential consumption, a simplified tax on capital gains, a gifts tax and a more moderate corporate profits tax coupled with a tax on indirect expenditures of corporations. The existing taxes would be so adjusted as to make room for the two new taxes on personal and corporate expenditure.

(i) The maximum marginal rate of personal income tax should be reduced to 50 per cent plus the present surcharge of 15 per cent at the level of Rs 1 lakh. The rates at lower levels of income should be correspondingly reduced. The exemption of interest on bank deposits should be withdrawn, but the exemption of income from units of UTI upto Rs 2,000 may be retained, and further, income from dividends of Indian companies may be

xempted upto Rs 1,000 as a measure f double taxation relief to the small hareholders (until the corporation tax s reformed). This means in effect that he existing limit of Rs 5,000 for exmption of income from specified assets ould be reduced by Rs 2,000.[15]

Payments towards provident fund ontribution, life insurance premia and umulative time deposits in Post Office CTD) should be fully exempt upto s 6,000. Payments above this level hould not qualify for any exemption nder the income tax nor should there e any separate limit fixed in terms of ercentage of income.

(ii) The wealth tax would be levied s now. The existing exemption provions would also be continued except or Rs 25,000 for units of UTI. Since he interest on bank deposits would ot be exempt from the income tax, he deposits themselves could be exmpt from wealth tax upto the existing mit, but the exemption for the units f UTI has to be withdrawn.

Wealth may be revalued once in very five years for the purpose of the et worth tax. To achieve this, in the ssessment year in which the new ystem goes into operation, the assesees would be required to value their xisting assets at prices prevailing at he end of the previous year. Thereafter or another four assessment years, the ld assets would be shown at the same rices and any new assets acquired uring the period at purchase prices. his would ensure that apart from the einvestment of proceeds (including apital gains) of the sale of old assets n new assets, the increase in the value f assets held would reflect true increase in net worth (i e, saving). At the nd of the fifth year, all assets would e revalued and the same procedure ollowed during the next five years.

The adoption of these rules would ean that accrued capital gains would ot be subject to wealth tax for a eriod of five years. Since no inflation djustment is to be made in regard to ealth taxation, this five-year exemption would be fair. More importantly, considerable amount of administrative ork would be cut out with little ffect on revenue.[16]

(iii) Non-Essential Consumption ax. As pointed out in Section IV, inome during a period should be defined consumption + increase in net orth. If this is done, consumption ould be defined (and derived) as the fference between income and increase net worth or saving. Since income and net worth have to be computed every year for the taxes on income and wealth, consumption can be estimated without much additional work.

The reduction in the rates of income tax should be accompanied by an attempt to penalise consumption through a tax on non-saving or non-essential consumption. The non-essential consumption tax (NECT) would enable us to bring under charge dissavings and ensure that the benefit of the reduction in income tax rates would accrue only to the savers. In effect, we would be replacing part of the income tax by the NECT so that part of the tax burden would be shifted from the saver to the non-saver at each level of income. The base of NECT will be computed as follows:

Gross total income as computed for income tax
plus gifts received
plus interest on Post Office Savings and Fixed Deposits
plus agricultural income
plus realised capital gains
plus casual income not included in gross total income
minus taxable gifts made
minus net contributions to approved provident fund, life insurance and CTD (net of borrowings)
minus increase in net worth at previous year's prices [as explained in (ii)]
minus taxes on income, capital gains and wealth.

The family should be taken as the unit for NECT as most of the consumption by the members of the family is joint consumption. Hence the base for NECT as computed above would be aggregated for the family consisting of the husband, the wife and minor children. It would be the responsibility of the head of household to file the return for NECT and pay the tax.

Working women cannot object to aggregation for NECT because their incomes would not be taxed at the high marginal rates applicable to their husbands. In any case, only well-to-do families will have to pay the consumption tax.

Through aggregating the value of income minus increase in net worth of the members of the family and taxing it, we shall recover part of the tax avoided through the splitting of wealth and income among the members of the family. In this way, we solve the vexed problem of treating the family as a unit without affecting the incentive to work of married women.

The rate schedule for NECT may be as follows:

Slab of Taxable Expenditure	Rate Per Cent
The first Rs 20,000 for a family	Nil
The next Rs 20,000 for a family	7.5
The next Rs 20,000 for a family	10
The next Rs 20,000 for a family	15
The next Rs 20,000 for a family	20
The next Rs 50,000 for a family	30
The next Rs 50,000 for a family	40
Excess above Rs 2 lakh for a family	50

Real estate is included in wealth for wealth tax purposes. Therefore, we will have to include the acquisition of a house in the increase in net worth and not regard it as a part of consumption. Income from an owner-occupied house, unfortunately, is much underestimated for income tax purposes. However, it should be the aim to impute the full annual value at market rates in respect of houses other than the single house normally occupied by the taxpayer.

Since ther rates of NECT are rather moderate, there would be no case for making special provisions for lumpy expenditures. However, medical expenditures could be allowed to be spread over three years if they amount to Rs 3,000 to Rs 5,000, and 5 years if above Rs 5,000. A more equitable arrangement would be to allow the taxpayer to build up the necessary funds for lumpy expenditures in special savings accounts with the banks. Payment into the accounts could be treated as consumption, but withdrawals would be ignored. If these arrangements were to be introduced, however, it would become necessary to monitor transactions relating to such accounts, as otherwise black money could be put into them without payment of tax. These special accounts would open up a loophole for evasion and the need to keep constant watch over them would destroy the administrative simplicity of the scheme. Hence, it is recommended that at the initial stages at any rate the rates of NECT be kept moderate and that only medical expenditures be allowed to be spread over in the manner indicated above.

The aggregation of family consumption for the purpose of NECT, the withdrawal of the concession granted to interest on bank deposits, the limiting of the concession under section 80-C and the reduction in the total personal exemption granted to working husbands and wives would together serve to make up for the

possible loss of revenue caused by the reduction in the income tax rates. It could also be examined whether while certain types of short-term capital gains, for instance, gains made in the stock market and those made in the course of regular business may be defined in the law to constitute ordinary income, in respect of other assets the distinction between short-term and long-term gains could not be dispensed with, once the tax on consumption is introduced. The ends of justice may be served if all capital gains, other than those which are classified as ordinary income, are taxed at a uniform rate of 35 per cent or so. Concurrently, the exemption of long-term gains from tax if invested in rural development bonds may be repealed because such investments in any case would be excluded from the base of the consumption tax.

Administratively, the proposed tax on consumption will be simple to operate. The Income Tax Officer has to collect no more information than what is needed to ensure the *proper* collection of the income and wealth taxes. He is not expected to question the assessee about individual items of expenditure or total expenditure, except to the extent needed to determine taxable income as, we understand, he is empowered and required to do so under the current law. Some families whose members are not liable to pay wealth tax may become liable to pay the consumption tax. It should, therefore, be required that tax paying members of a family whose joint post-tax income exceeds Rs 25,000 but who may not be liable to pay wealth tax, nevertheless file a statement of their net worth and savings.[17] In any case it is necessary that the assessment of income, net worth and consumption should be carried out simultaneously by the same officer. And one and the same form should be used for submitting returns of income and net worth. A supplementary form on family consumption should be submitted by the head of the household along with his income and wealth tax returns.

The NECT, it is obvious, would be effective only in so far as the returns of income and wealth reflect truly facts regarding the taxpayer's economic position. Expenditure out of concealed income and on expense account would be beyond the reach of any direct tax on personal expenditure. This fact is to be used not as an argument against the introduction of NECT but as a ground for urging more effective steps for capturing most of the true income for income tax purposes. Expenditure cannot escape tax unless the income out of which it is financed also escapes tax. If one could argue that since lavish consumption would continue to be financed out of concealed income, there would be no point in introducing an expenditure tax, it could be argued with equal validity that since the main purpose of the income tax is to reduce private demand, to the extent that income is concealed from the tax authorities, the income tax fails in its main purpose. The more favourable treatment of savings without any increase in the rates of capital taxes is intended to induce the taxpayers to reveal more of the true income than they do now. The concealment of income may be reduced and that would be an additional gain.

Such an expectation might strike some as being overly optimistic. It is possible that the enforcement of income and wealth taxes cannot be improved at all in India in the prevailing political and social conditions. What those who argue that a consumption tax based on income and wealth tax returns would make no dent, are really saying is that the income tax and the wealth tax in India are a sham and will continue to be so. If that indeed is their conviction, they should be tearing their hair in despair about these two taxes and think of alternatives.

(iv) It is well known that because of the high rates of income taxation and the upper limits laid down for managerial and other remuneration, most of the taxpayers who control businesses or other large institutions tend to indulge in expense account cosumption in varying degrees. To the extent that perks are included in taxable income, they will also form part of the base of taxable consumption. However, a good part of the expense account consumption escapes the income tax; and it is to be expected that the introduction of a tax on consumption would have the psychological effect of inducing taxpayers to convert more of their personal consumption into business consumption. Hence, a concomitant of the personal expenditure tax is some kind of a tax on corporate expenditure. It is recommended that a tax at 15 per cent be levied on all indirect expenditure by companies. It would then be possible to reduce the rate of tax on corporate profits. Before we consider that question, we may refer briefly to the various concessions available in respect of taxation of business income.

Under the current law, industrial undertakings are granted a tax holiday, an investment allowance and a backward area concession if they fulfil the required conditions and fall within specified categories of industries. The tax holiday or exemption from tax is available only in respect of profits in excess of the specified rate (7.5 per cent) on capital employed. This requires the total capital employed in a business to be computed leading to a lot of time and energy being wasted on the part of the taxpayer and the tax collector. Since the tax holiday and the investment allowance are simultaneously available to several undertakings and since they can be carried forward only for a limited number of years, several undertakings find that they cannot take full advantage of both. There has also been a considerable controversy about the investment allowance. Some claim that it leads to the adoption of more capital-intensive techniques of production, while others argue that the extra allowance is less than adequate to compensate for the increase in the price of capital goods that need to be replaced. Even if depreciation is to be granted on the basis of historical cost, general inflation erodes the value of depreciation allowances which at constant prices would not add up to the original cost.

At present industries in backward areas are entitled to deduct 20 per cent of the profits from taxable income. It is perhaps necessary to grant some such concession to induce industries to move to backward areas where the cost of production and of transportation tend to be higher than in developed areas. However, the purpose of the entire scheme is defeated because too many districts have been declared as backward; while revenue is sacrificed the really backward areas are not benefited much.

Some might argue that concessions of the kind granted are needed in any case because the nominal rate of corporate tax is unduly high. But the real remedy would be to reduce the rate. It is recommended that the taxation of corporate and business incomes be simplified. Much controversy and administrative difficulties would be removed if we could grant a 100 per cent capital allowance or instant depreciation in respect of plant and machinery. The accounting

would be vastly simplified and a good deal of time of tax authorities would be saved. Since depreciation would be granted instantaneously, no inflation adjustment would be called for in respect of calculations of depreciation. The equity of the system of taxation of capital income would be substantially improved. For revenue reasons, it may not be possible to move immediately to an instant depreciation basis. To start with, 50 per cent depreciation may be granted in respect of plant and machinery which would be bought during the next 10 years. Simultaneously, the provisions granting the tax holiday and the investment allowance should be abolished. (If at all considered absolutely necessary, tax holiday may be granted, without any linkage to capital employed, for only small scale industries for an initial period of three years or so.)

With the grant of 100 per cent capital allowances, there would be a case for the inclusion in the corporate tax base of the interest paid on long-term borrowing. As of now, the interest payable on long-term debt is deductible like other costs. Since the entire value of investment in plant and machinery will be excluded from the tax base, it would be logical to tax the entire return on investment. A portion of interest attributable to the capital invested in buildings may, however, be excluded upto a limit, since buildings will not be granted instant depreciation.

Since the 100 per cent capital allowance would be granted only in respect of new plant and machinery, only the interest on new borrowings would be included in the tax base. If only 50 per cent allowance is granted, the rest being spread over the normal period of depreciation, it may be proper to include only 50 per cent of the additional interest paid in the tax base during the interim period. However, it is hoped that within 10 years, we could move over to 100 per cent capital allowances.

The backward area concession should be cut down to 15 per cent and the number of areas qualifying for the concession should be drastically curtailed. It is also recommended that the export market development allowance be reduced to 100 per cent (from 133 per cent).

We have recommended the reduction in, or withdrawal of, a number of concessions. We have also recommended the levy of a tax on indirect expenses of corporations. If these recommendations are accepted, the tax base will be enhanced and the system will be simpler and more equitable. The increase in the size of the tax base would make possible a reduction in the rate of corporate taxation. In the inflationary world in which we live what is important is that since we cannot give up income taxation, the harmful effects and inequities caused by such taxation in times of inflation should be mitigated to the extent possible through a reduction in the nominal rate of taxation. This reasoning is applicable as much to corporate taxation as to personal taxation. It is often forgotten that the nominal rate is a significant variable in determining the proportion of avoidable corporate expenditure that is borne by the exchequer. Our aim should be to move gradually towards a level of 45 to 50 per cent rate of tax on corporations. Such a rate combined with 100 per cent capital allowances would encourage investment and lead to a larger base for income and expenditure taxes in the future. At the same time, the tax on indirect expenditure on corporations will promote economy and would serve as a counterpart to the direct tax on personal consumption in the form of NECT.[18]

It would be possible to so adjust the rates of the different taxes that we have discussed in the foregoing pages as to preserve the revenue of the government at the existing level. However we could recommend that the rates be so fixed as to imply some reduction in the effective burden on the taxpayers. This might result in some short-term revenue loss in the form of a reduction in the amount of increase in revenue in the first year to the extent of about Rs 100 crore from personal taxes (no reduction in the revenue from taxes on corporations need be planned for) but this reduction in the growth in revenue from personal taxes in the first year would be accompanied by a much larger increase in the volume of savings part of which would be channelled into the public sector. We could confidently expect a much faster rate of growth of revenue from the direct taxes in the medium term. At the same time, it could be ensured that the share of taxes paid by the upper income groups, say, those with incomes above Rs 50,000 does not fall.[19] It should also be ensured that the amount they pay should increase by at least 10 per cent per year on an average over the next six or seven years.

The merits of the system we have recommended may be briefly summarised. The enlargement of the bases would make possible reductions in marginal and average rates and improve the horizontal equity of the system without reducing effective progression. The shift in the burden from the income base to the expenditure base would, besides mitigating the harmful effects and inequities of a non-comprehensive, unadjusted income tax, serve to reduce extravagant consumption and promote savings to a significantly larger extent than the present system. None can deny that a move towards penalising personal and corporate consumption is in the right direction. Another gain from the change would be the placing a part of personal taxation on a family basis without imposing high marginal burdens on the incomes of working wives. Finally, several suggested changes such as in the system of depreciation and capital gains taxation would make for considerable administrative simplification without loss of revenue. The system we have recommended would not bring about a dramatic reduction in economic inequalities. (That, alas, does not seem possible in the existing economic system and given the parallelogram of political forces in the country.) But it would be a cleaner, more efficient and a significantly more equitable system than exists at present.

Notes

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1 Called comprehensive because the definition of income would be made more comprehensive to approximate total beneficial receipts.

2 Adjustment could also be made, if so desired, to take note of certain social functions that the taxpayer is expected to fulfil.

3 We are here using the term income to mean total net accretion during a period. See below for the definition of the accretion concept of income.

4 The government would, however, be able to increase its borrowings from the private sector.

5 Also, capital gains arising from changes in the rate of interest may be transitory.

6 Under the real-world income taxes other exclusions are granted by choice or by necessity: for example, contributions to pension or provident funds, premia on life insurance and interest accruing on balances in these accounts.

7 This type of adjustment, called 'Bracket Indexation' by the Meade Committee, will reduce the income elasticity of the income tax. Therefore, some would not favour full bracket indexation so that the income tax may be used to dampen inflation.

8 See for example, [Kay and King, 1978], [Institute of Fiscal Studies, 1978] and [Lodin SO, 1978].

9 The idea behind asking the banks to maintain the registered accounts is that they could issue certificates regarding net payments into or net withdrawals from them which could be accepted by the tax authorities.

10 The problem of lumpiness will not become serious if the expenditure tax is made only moderately progressive. As a measure of relief, however, the expenditure on a limited number of goods could be allowed to be spread over three or four years.

11 Until and unless the fruits of the accumulation are consumed.

12 Also, as pointed out earlier, saving in the form of accrued (but not realised) capital gains is fully exempt.

13 This statement is made without counting the effects of the recent inflation.

14 To the extent that this is true, the 'deductions for investment' type of concession is likely to stimulate savings more than the 'exclusion of income' type, which only requires a one-time switchover in assets.

15 Alternatively, the total exemption of Rs 5,000 may be simply reduced to Rs 3,000, leaving it to the taxpayer to choose the pattern of investment he wants.

16 It is understood that government have already decided to ask for revaluation of assets only once in three years.

17 Notices will have to be issued also to persons with agricultural incomes of more than Rs 25,000 irrespective of whether they have any taxable non-agricultural income. But the number of such persons will be small.

18 With a 45 per cent corporate profits tax and a 15 per cent tax on indirect expenditure, for every Rs 100 of wasteful expenditure, the cost to the corporate owners would be Rs 70, whereas with a near 60 per cent corporation tax as of now the cost is only Rs 40.

19 As of 1975-76, individual taxpayers with assessed incomes above Rs 50,000 accounted for about 12 per cent of gross income and for about 44 per cent of the tax assessed.

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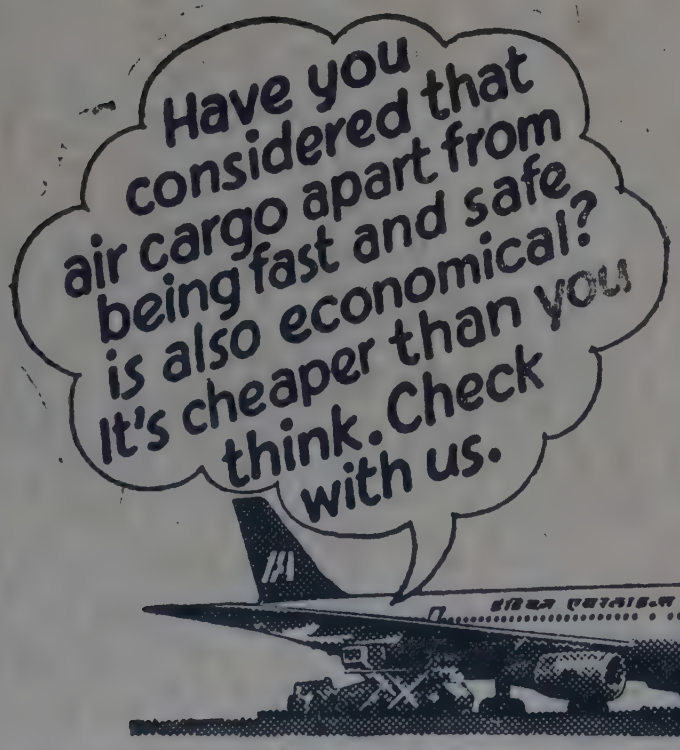
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Energy Crisis and Its Impact on Energy Consumers in Third World—II

D R Pendse

Though they woke up to the problem only in October 1973, the energy crisis had long been a writing on the wall for the industrial world and, even more, for the countries of the Third World. For a country like India, the immediate impact was traumatic for all sectors of energy consumers.

Two options are now open: (i) to keep augmenting supplies of fossil-fuel energy to match ever-increasing consumption (the hard path); and (ii) to conserve such non-renewable fossil-fuel sources of supply and tap increasingly the renewable sources (the soft path). The soft path is the more workable option for the industrial world as also for the Third World; though there will be immense difficulties in its acceptance and inevitable time-lags in its implementation.

The industrial nations, the author argues, need to come forth to help the Third World adopt the soft path. They have the wherewithal to conduct research into the abundant base of renewable energy sources of the Third World countries, to develop appropriate equipment and appliances and to make them available on soft terms.

Consumers and their organisations, particularly in the Third World, need to adopt concrete programmes aimed at creating awareness of the dimensions and implications of the energy crisis.

[This article has been published in two parts. The first part appeared last week.]

IX

Policy Options for Third World

THE fact that the non-OPEC developing countries were able to adjust themselves to the convulsions caused by the energy crisis does not leave room for complancency. These developing countries, and for that matter, the whole world, need to take a quick stock of the situation, see the policy options available and exercise their option without any further delay. From the considerable on-going debate and discussion on this question among experts, it is clear that the options are mainly two and they are to a large extent mutually exclusive. These are commonly known as the 'Hard Path' and the 'Soft Path'.

Hard Path

The first alternative is based on the theory of 'demand accommodation' referred to earlier: If the demand for fossil-fuel energy increases — and indeed it will continue to increase rapidly and continuously — then newer sources of such energy must be found to accommodate this demand. It is conceded that these newer sources, like the older ones, are all non-renewable, and also that this ever-increasing consumption of energy aggravates other problems of environment, pollution etc. But the advocates of this alternative have faith that science and technology will keep pace and be able to sort out these problems as and when they will arise. They point out the observed close correlation between energy consumption, GNP and economic welfare, and are opposed even to the idea of attempting to reduce the demand for and consumption of fossil-fuel energy, because such an attempt would have very adverse impact on world prosperity. I did not know, for instance, that some analysts, still predicted[14] in 1976 that there would be economic calamity if the US did not continue to consume twice the combined energy total for Africa, the rest of North and South America and Asia (excluding Japan). The protagonists of this option pin great hopes on the development of nuclear energy[15] and they are all smiles when scientists report that the world's oil reserves are close to five trillion barrels and not the usually supposed two trillion. This alternative is usually known as the 'hard path', and broadly amounts to continuing 'business as usual'. The hard pathists would scoff at any attempts or policies aimed at conservation or at regulating demand for energy.

Soft Path

In contrast, the other option — the 'soft path' — involves a radical change of course at the earliest possible opportunity. It has two aspects. First, the consumption of non-renewable forms of energy should not be allowed to grow, and should actually be reduced. This is the conservation aspect. Secondly, as much as possible, there should be a shift away from consumption of energy from non-renewable sources like coal, oil or nuclear energy, in favour of consumption from renewable sources like firewood, wind power, solar energy, tidal power, biogas, and geo-thermal energy. This shift has to be of a magnitude that will not only take care of all the increase in consumption in future, but it should also help over time, in actual reduction of consumption from the non-renewable sources. This is the 'shift' aspect.[16]

Contrary to common belief, the soft path does not plead for a *total* reduction in the energy consumption. The soft pathists would only plead for a reduction in the consumption of energy *from fossil fuels, or from non-renewable sources*. Total energy consumption may still remain at the present levels or may even continue to grow; but the gap should be filled in by the *renewable* sources of energy. They are of course aware that in reality such a radical change of direction, however desirable it would be, cannot be achieved overnight. (Some of these realities are referred to later in the section titled 'Third World Realities'.) These realities may be cruel and unfortunate. But they are realities nonetheless, and they are overriding. The soft pathists are not blind to these, and would therefore like to see at least a beginning made, leading at least to a continuous reduction in the rate of growth of consumption of energy from the non-renewable fossil-fuel sources.

Why Soft Path?

My sympathies are unmistakably in favour of this 'soft path'. I believe

that in the long-run this will be the only relevant and workable option for all of us; more so for the Third World countries. There are several reasons for this view, some of which could be noted:

(1) The non-renewable sources, whatever be the estimates of world reserves, are after all a stock of energy capital, whereas renewable sources are a flow, an energy income. To me it seems natural that for day-to-day consumption we should depend on our energy income, and not make a habit of eating into our energy capital except in an emergency. This is more so for the Third World countries which are relatively not so abundantly endowed with the non-renewable sources, but which again are relatively abundantly endowed with renewable sources like solar energy, hydro power, etc. Nepal, for instance, has a large untapped hydro-electric potential, equalling the combined hydro-electric capacity of Canada, the United States and Mexico.

(2) The present energy systems have become highly centralised and therefore highly capital-intensive. This also results in considerable, though inevitable, wastage. 'At least half the energy growth never reaches the consumer because it is lost earlier in elaborate conversions in an increasingly inefficient fuel chain dominated by electricity generation (which wastes about two-thirds of the fuel) and coal conversion (which wastes about one-third).'[17] The loss may be relatively less if the end-consumption of energy is for mechanical usage; and relatively more if it is for heating purposes. In contrast, most renewable source technologies are relatively more decentralised, less capital-intensive and therefore more energy-efficient.

(3) Renewable sources can be more easily tapped to meet rural needs. This would suit the predominantly rural settlements of the Third World, and would also abate their problem of urbanisation.

(4) The installation and operation of many of the soft path technologies is relatively a more employment-intensive process. They would also require technical know-how of a type which could be made more readily available in the Third World countries.

(5) The 'soft' technologies are less exposed to environmental hazards.

(6) Third World countries have not, luckily for them, engulfed themselves in the energy culture to the same extent that the industrial world has. Liberation for them should therefore be less painful.

(7) Schumacher adds an altogether new dimension to this controversy when he writes, in the course of his discussion of Buddhist Economics:[18]

> "As the world's resources of non-renewable fuels — coal, oil and natural gas — are exceedingly unevenly distributed over the globe and undoubtedly limited in quantity, it is clear that their exploitation at an ever increasing rate is an act of violence against nature which must almost inevitably lead to violence between men."

The direction in which our efforts must proceed is therefore clear to me. However, one cannot ignore certain practical constraints in the present day situation. These suggest that: (a) there is bound to be a considerable time-lag before this change of direction can be effected; and (b) in the intervening period, some *increase* in the energy consumption from the non-renewable sources has to be reckoned with, in respect of the Third World countries.

Third World Realities

(1) The present levels of energy consumption are pitifully low, and even the urgent tasks of supplying basic human needs and moving towards fuller employment will inevitably increase energy consumption. The overall energy needs of the Third World will therefore continue to grow. Since technology for renewable sources is not yet developed, and since energy from the conventional sources which happen also to be non-renewable, is readily available, increasing quantities of this energy will be employed, even if it is becoming increasingly expensive, and even if large parts of these are to be imported.

(2) Several industrial projects (including power projects themselves) of long gestation are already at various stages of implementation; and so are several measures such as rural electrification. As these are completed, they will create an increased demand for non-renewable energy, which cannot be escaped.

(3) Most of the Third World countries, (rightly) wish to become more industrialised, and are wedded to faster rates of growth. They are becoming increasingly aware that assured availability of energy in general, and electricity in particular, is the most important incentive for the spread of industries and the growth of the economy. Even the industrialised countries follow this 'power-must-be-surplus' philosophy and maintain a comfortable reserve-ratio by ensuring that generating capability is always sufficiently in excess of the firm peak load demand. Many developing countries, including India, are a long way off from this 'surplus' theory; and power cuts and power shedding has to be freely resorted to, much to the annoyance of industrial and domestic consumers. But as these countries try to approach the 'surplus' era, energy consumption will inevitably go up, and most of the increase will inevitably be from non-renewable sources.

(4) The Third World countries are now a part of an open world society. There are hardly any iron curtains any more, and the international demonstration effect is having its full play. The mouth-watering but energy-intensive life styles of the industrial world, and the failure of the 'soft path' strategies of conservation and shift in making any noticeable headway in the industrial world, are facts which cannot be shut away from the Third World.

(5) Worse still, the soft path has only a long-term appeal. It is a poor vote-catching device. Elections in developing countries, as elsewhere, cannot be easily won by preaching virtues of conservation, particularly if the electorate is illiterate, half-hungry and exposed to a world of unending appetite for energy consumption. Shrewd political leaders will therefore give, understandably, a much higher priority to policies directed to a quick increase in the supply of basic goods and services, to enlarging employment opportunities by starting new industries, and bringing their voters closer to the energy-intensive life-styles of the industrial world. If the need to educate the public about the relevance of the soft path is urgent, even more urgent is the need to educate the educators. Until this process of education is complete — and it has not even begun as yet — the consumption of non-renewable energy will continue to increase.

(6) Finally, even if all were to be convinced about the case for the soft path, renewable source technologies are still far too inadequately developed to take up the challenges involved. Many thinkers therefore argue, with considerable force, that the Third World countries will have to use increasing quantities of non-renewable

ergy for many years, probably enty-five years, or so, though, hopelly, on a declining scale in terms of e share of the total energy used. ney see no possibility of renewable urces of energy being developed fast ough during this period to meet the quirements of industrial and econoic growth, quite apart from those of e final consumer. In the light of the ergy prospects as we see them now, ey also fear that the economic and dustrial development of the Third orld countries will be stunted in the ming explosive era, without a quite bstantial fossil-fuelled contribution, supplement the quite rudimentary newable technologies.

These are the sort of compulsions of ality faced by the Third World counies; and despite my firm conviction the merits of the soft path, I see no cape, alas, from the consumption of ergy from the non-renewable sources these countries going up for some ne, before it stabilises and eventualstarts a decline.

X

Responses to Energy Crisis

While the debate about the soft and rd paths goes on in the seminar oms and serious journals around the orld, it will be of interest to note w the various groups of energy conmers are actually responding to the ergy crisis. The responses can be either of these two paths, namely: increasing production or supply of ssil-fuel energy to match the trends consumption: and (ii) conservation the use of such energy and shift to e renewable sources of energy.

Incidently, with a view to having a ick perspective about the responses the industrial world, I went over me of the published papers on the bject of 'Conservation of Energy Utisation' presented at the World Energy onference in Istanbul in September 77. The impression left was that hile there was an increased awareness out the need for conservation and ifts, in practice, programmes of inreasing production and/or availability fossil-fuel sources of energy predictly received greater attention and gher priorities. In North America, example, despite the increase in ergy prices and conservation praces, there was strong evidence of a ntinuation of the trend towards inased electrification in industry; and xotic' modes of transport (such as air cushion or magnetically supported vehicles) which have low energy efficiency and require larger energy for support, were being advanced. In Swedish industrial companies, investments for increased energy consumption received higher priorities in competition to investments for energy conservation steps. In Japan, it was conceded that with rising living standards and steady economic growth, energy consumption was bound to go up, particularly because in the domestic-plus-commercial sectors, the present consumption rates were very low (that is, half of Europe and a quarter of the US).

As regards the Third World, I have, as an illustration, once again briefly to turn to India, a country where acute power shortages would seem to have come to stay.

(1) For example, as regards the *industrial consumers,* there is a sanctioned overall load for almost all industrial units which cannot be exceeded. Hence, without conservation or better power management, it is not usually possible for industrial units to expand output.

But, a common response of larger and more prosperous industrial consumers is to proceed with self-generation by installing diesel power generating sets for captive consumption, though, in relation to the overall energy consumption in the country, such self-generation accounts for an insignificant percentage. These sets use non-renewable fuels; and, in relation to grid power, are less fuel-efficient. Policy-makers in India have been pleading, in keeping with the trends in the industrial world, that such self-generation should be discouraged, unless it fitted into the total energy system in specific cases. Nevertheless, there being no immediate prospect of a countrywide relief on the power front, government has now accepted self-generation as a practical compromise and have even offered to give incentives for the purpose !

There is also a good deal of research sponsored by industry and directed towards conservation and shifts in energy consumption; and particular mention should be made in this connection of the recently established Tata Energy Research Institute (TERI). This is a voluntary body specifically dedicated to research, development and demonstrations pertaining to: (a) renewable and non-polluting sources of energy; and (b) more efficient and less polluting techniques of using fossil-/ fissile-fuels.

(2) As regards *domestic consumers,* it is necessary to emphasise that this group accounts for only 16 per cent of electricity consumption, and that nearly 80 per cent of the energy requirements of the domestic consumers in the country are still met from renewable sources of energy, such as firewood, dry animal dung and the like.

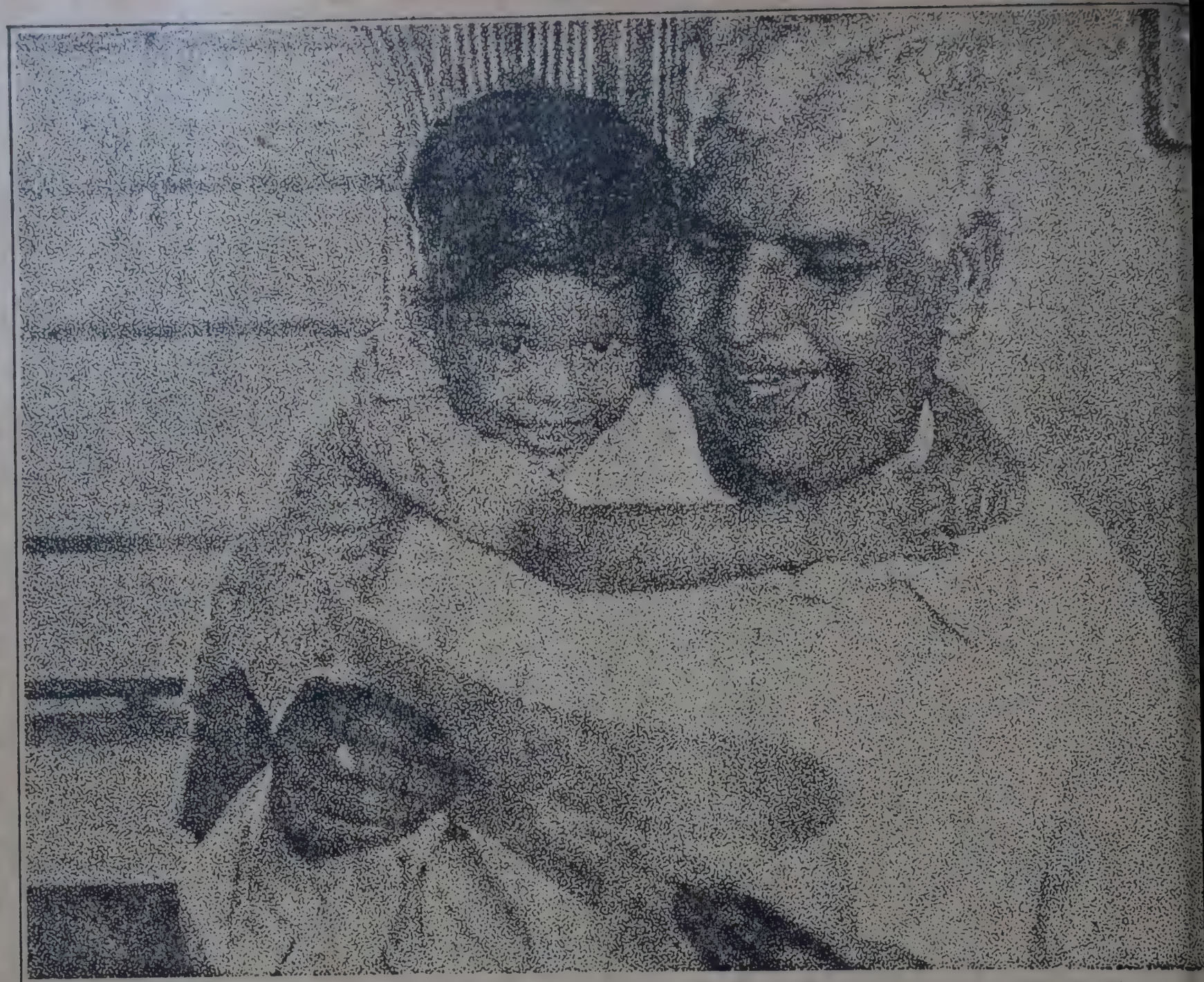
In the domestic sector, the development of *Bio-Gas Plants* technology, has attracted considerable attention overseas. In India these are known as Gobar Gas Plants, most of which are small, family-sized plants. This technology involves generation of methane-gas through anerobic fermentation of animal refuse, human refuse, other organic wastes and algae. The gas produced from these plants is being used for heating and lighting as well as for motive power. These bio-gas plants naturally reduce the demands on commercial forms of energy and thus aid their conservation. They also reduce pressure on firewood.

The scheme to install these plants was initiated as early as in 1962 but it gained momentum only after the energy crisis set in! There are some 45,000 of them all over the country, almost all in the rural areas. Larger-sized plants to be used as community plants are also being developed and are in experimental use. Other improvements aimed at cost-reduction and better design are being explored by Indian scientists.

According to experts, the potential for installing such plants, both family-size and community-size, is immense — about 1.5 million such plants by the year 2001 — and with the installation of these plants, the demand for kerosene can be virtually eliminated in India.

Solar energy is another soft-path area affecting the domestic consumer in which a few and moderate steps are being taken, e g, (i) There are 25 research organisations working on solar energy; (ii) An experiment in tapping solar energy for centrally air-conditioned multi-storeyed building is being made; and (iii) Small solar plants for rural application are being developed in collaboration with West German firms.

Among the various solar applications, the water heater seems to be closest to commercial production. Two Indian firms are already selling units of 140 litre capacity for about $ 285. The



"It is human contacts which keep one sensitive and interested. Without them, one might as well be operating a huge machine."

—T. Thomas, Chairman, Hindustan Lever Limited

Ananda Chandanshive, a worker in Hindustan Lever's Bombay factory, developed a heart block and had to retire early. In addition to a generous pension, the Company gave him the pacemaker he vitally needed. This has helped Chandanshive continue to lead an active life.

"When I go to a Pan Room or an Oil Refinery," reminisces the Chairman, "and see the people who make soap or clean a hot filterpress, I do feel for them and the physical effort that they have to put in day after day, year after year for thirty to forty years. These are men who were young with me but now are burdened with the same concerns—about sons waiting for jobs, daughters waiting to get married, wives who are in indifferent health, etc. When we talk about these things we come closer. The young man who was an athlete twenty years ago is a mature father who likes to talk about the old days, as well as his present concerns. The differences in rank fall away and a human relationship is established."

The human and informal touch within the organisation is one of the major factors that evoke commitment and loyalty from employees.

It is relationships like this—with employees and consumers, suppliers and the trade, that make Hindustan Lever what it is: A company of people going from strength to strength.

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TABLE 4: CONSERVATION OF FURNACE OIL AND MOTOR SPIRIT

(Million tonnes)

ar	Furnace Oil			Motor Spirit		
	Trend Consumption	Actual Consumption	Saving (Per Cent)	Trend Consumption	Actual Consumption	Saving (Per Cent)
74	4.8	4.3	10.7	1.7	1.3	25.4
75	5.1	4.3	15.8	1.8	1.3	28.8
76	5.4	4.2	21.6	1.9	1.3	29.6
77	5.7	4.0	29.2	2.0	1.4	29.8
tal of years	21.0	16.8	19.8	7.3	5.2	28.5

gh initial cost is more than recovered virtue of the considerable savings fuel requirements.

(3) *Transport Sector.* There was a ear trend, prior to the energy crisis, favour of dieselisation of railways. view of the oil price hike, the life coal-fired locomotives is being exnded where possible, after necessary conditioning. There is also a move in vour of electrification, which can be pported by inferior-grade coals or dro-electric resources.

In passenger cars, after the oil price ce, motor-spirit prices were put up ree-fold. This has distinctly curbed consumption. A good portion of the vings in consumption was achieved e to government policies of incenes, disincentives and at times physil restrictions. This is clear if we mpare the actual consumption as ainst the trend consumption, as is ne in Table 4. Furnace oil consumpn grew at an average annual rate of) per cent during 1966 to 1973, and nsumption of motor spirit at 5.0 per nt. The trend consumption figures ve been calculated assuming that se very rates of growth could have ntinued after 1973. The data show at a total of 4.2 million tonnes of rnance oil and 2.1 mn tonnes of motor rit was conserved after the oil crisis. case of furnace oil, a part of the ing was due to substitution of coal.

DEVELOPMENT STRATEGY OF THE GOVERNMENT

While on this subject, it is heartening note that some significant asts of the economic policy frame ee well with the conservationnted soft path approach discussed ve. Thus, the Draft of the Five r Plan (1978-83), published in rch 1978, stated :[19]

The energy crisis precipitated by the harp increase in oil prices in 1973-4 brought to the fore the imperative need to formulate an energy policy framework within which the rate of growth and pattern of energy consumption could be regulated, the fossil-fuel reserves of energy conserved and measures taken to develop replenishable sources of energy. ... The demand for energy cannot, it is obvious, be allowed to grow in an unrestricted manner. The new industrial strategy of shift from the capital intensive to employment-oriented technologies and decentralisation of production, wherever feasible, is designed to achieve, as one of its objectives, a restraint on further increase in the intensity of energy consumption in industry. While the overall objective will be to maintain a low energy profile, special endeavour will be made to ensure that the energy requirements of the agricultural sector are fully met."

Several facets of the new strategy are highly relevant in the light of the impact of the energy crisis.

(1) The government lays great stress on tackling the problem of unemployment, most of which (in numbers) is among the rural unskilled poor people. As a corollary, labour-intensive techniques of production are being encouraged. Labour-intensive techniques are generally more energy-saving, and quite a significant saving on energy inputs can be achieved by employing the unskilled rural poor people.

(2) Government's policy has been distinctly in favour of developing industries in the rural areas. As a matter of fact, there is a virtual prohibition of starting any sizeable industrial project in urban conglomerates with a population of more than half a million. To the extent that this policy will weaken the forces of urbanisation, it will also reduce consumption of energy from the non-renewable sources.

(3) The policy leans heavily on the small producer. 'Whatever can be produced by cottage industry shall not be produced by the small-scale and large-scale sectors; and whatever can be produced by the small-scale sector should not be open for the large sector industry' said an oft-repeated policy statement. Thus, in view of the chronic power shortages; it is now the policy to place emphasis on areas that need less or no commercial energy (for instance, handicrafts, like carpet-making, coir-making, etc). Another example is in respect of textiles, where the stress is now on handlooms, away from power-looms or from the composite textile mills. This decentralised economic structure will not only consume less commercial energy but it will help develop the renewable sources of energy.

(4) Government accorded the highest priority to agriculture and rural development, and will obviously try to make available all the energy needed for this purpose. Agriculture, by its very nature, is much less of an energy intensive activity in comparison with industry; in India, agriculture contributes 45 per cent of the national income but consumes only 15 per cent of electricity, whereas industry contributes only 15 per cent and consumes 65 per cent of electricity. Similarly, for every $ 10 worth of net output, industry consumed about 60 kwh of electricity, but agriculture only 5 kwh. Admittedly, the process of development of agriculture will increase its energy inputs also; nevertheless, the increase would be way below what an equivalent outlay in industry would have consumed. In other words, the shift in favour of agriculture would clearly have an energy conserving effect.[20]

The question naturally arises as to how adequate are these responses, and the policy frame. Judged in the perspective of how the industrial world is responding, and noting the fact that India, like many other countries is caught between the need for conservation and shift on the one hand, and the compelling inevitability of an increase in energy consumption in the immediate future on the other, one is tempted to conclude that India's response, though moderate and perhaps halting, is by and large in the right direction.

XI

Some Suggestions

The Indian experience suggests to me the following four improvements which deserve more pointed consideration :

PLANT PERFORMANCE

First, there is considerable scope to improve the performance of power

'Good housekeeping' in a factory is good fire prevention.



Cleanliness and order are basic to fire prevention. Waste, obstructions, badly stored materials—they are all sources of ignition. And a fire in a factory burns more than just the factory. It can destroy your share of the market, your goodwill, irreplaceable equipment and raw material, the livelihoods of your employees. Fight fire before it fights you. Prevent it.

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1. All goods should be stored with aisles between stacks, to allow any fire spot to be reached.
2. Machinery and surroundings must be clean. Heat from machines can ignite oil leaks and cotton waste. A newspaper office was burned down recently because of this.
3. Oil should leak into drip trays, not the floor.
4. Dispose sawdust, cotton and all other waste in metal cans with lids.
5. Do not allow packing materials like paper, wood, cardboard, polyethylene film to be scattered.

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ints. As mentioned earlier, the ernational standard of thermal nerating plants seems to be about 00 kwh per annum per kw capay. In contrast, the average in India 1978-79 was 4240 kwh. Transmisn losses also are over 20 per cent ainst the internationally recognised to 9 per cent. If efficiency in the dian plants can be improved to the ternational standards in both these eas, power supply would increase by per cent without having to increase e generating capacity at all, and dia would already be 'power surus', because the current deficits are timated to be about 15 to 25 per nt. The position in respect of many her Third World countries is not uch different. In relation to instalg new generating capacity, these provements require a shorter riod, a lower capital outlay, and ssibly less sophisticated technical ow-how. Nevertheless, this has mehow remained a relatively ignored ea.

Fiscal Incentives

The second improvement is by way providing fiscal incentives such as llows:

(i) The producers of equipment to p renewable sources of energy (e g, lar cookers and heaters, wind mills, io-gas plants, etc) could certainly be ven larger tax incentives by way of rcise duty reliefs, higher rates of epreciation, financial assistance on ft terms and so on.

(ii) Such equipment purchased by mpanies is now treated as capital quipment eligible for depreciation as er rules. This could even be allowed s current expenditure for tax purposes.

(iii) For individual consumers in the ural areas, the present practice is aradoxical. They get electricity at ighly subsidised rates. Or they burn rewood at zero private cost. On the ther hand, if they install a solar eater or a bio-gas plant, they spend n the initial price, and also on its aintenance, repairs, etc. An abvious nprovement will be to allow at least e entire cost price of such equipent to be deducted from income for e particular year for tax purposes.

(iv) The costs of fuel and power ccounted roughly for 4.1 per cent of e costs of production in the manucturing sector just prior to the oil rice hike, and now for about 6.6 er cent. Significant tax incentives could be offered for savings on the energy bill. If, for example, there is any reduction in the costs of fuel and power in any given year, as compared to the previous year, an accelerated or a substantially weighted allowance could be given to the assessee for the amount of saving achieved.

Let me illustrate: If a company reduces its fuel and power bill from $1 million to $0.6 million in one year, and thus effects a saving of $0.4 million, then at least double the amount saved, namely, $0.8 million should be allowed as permissible deduction, over and above the actual expenditure of $0.6 million which of course will be admissible in any case.

Optimising Usage of Natural Gas

It is also necessary to ensure that a source of commercial energy like natural gas, which has alternative uses (for example, as feedstock for fertilisers, as feedstock for petrochemicals, or as fuel for power generation), is actually being deployed optimally. On this ground there still appears to be some scope for streamlining its use, though natural gas forms usually only a very small portion of the total commercial energy consumption in the Third World.

Reviewing Power Tariffs

Finally, it is also worth considering whether power tariffs and prices of other energy inputs do adequately reflect:

(a) their costs of production;
(b) their scarcity value; and
(c) the need for reducing their consumption.

XII

Epilogue

International Co-operation?

The energy crisis is a world crisis. Few countries, irrespective of the stage of their economic development, will escape it. There is therefore, sufficient temptation to speculate and think aloud about the scope for urgent and practical co-operation among nations. The milieu in which we find ourselves today, itself throws up broad contours for such co-operation. We have to reckon with the fact that the industrial world is already far too committed to life-styles based on an ever-increasing consumption of non-renewable froms of energy. Automobile production has become central to the well-being of these nations; and 90 per cent of the capital stock invested in buildings and equipment in the industrial world is ill-suited to, say, the solar transition. A transition to the renewable sources, cannot, however, be avoided for ever. For the industrial world the question is one of making the transition less painful by extending the period of transition as far as possible. On the other hand, the developing countries, not having yet committed so fully and so deeply to the energy way of life, should find the transition less painful.

In practice, however, under the powerful stimulus of the international demonstration effect, and in view of the fact that there is close correlation between the path of economic development adopted by most of them, and a rapid increase in energy consumption, the Third World countries have already started on a journey in the same direction that the industrial world followed. They may have covered just a few miles of the road, on which the industrial world has gone perhaps several hundred. But there is no mistaking that the road is the same. The journey has begun and it gathers speed. As the Third World countries travel longer on this road, they will make greater and greater inroads into the already-fast-depleting and non-renewable stock of energy capital. Less and less of the stock will then be left for the industrial world, making their problem of transition more and more painful and intractable.

It is therefore in the overall interests of the nations of the world that the developing countries are induced to get off this road and to change course at the earliest. Ideally, the developing countries should themselves take steps in this matter. But, as was noted earlier, they have, alas, neither the motivation, nor the capital resources, nor perhaps the technical R & D know-how. The need for public education is considerable but the shift to the soft path being a long gestation project, it has no political appeal or glamour; and the political leaders of the Third World do not have the political compulsions or positive urge to initiate on their own, a change of direction.

In this setting, I believe it is for the industrial world to come forth to help the Third World to slow down its gathering speed on the present journey, and to change direction by developing renewable sources of

energy technologies appropriate for the Third World and by encouraging their adoption in the Third World as widely as possible. The industrial world has the requisite capital, the requisite sophisticated know-how and indeed the total wherewithal with the help of which they could conduct substantial research into the renewable resource base for different areas in the Third World, could develop the appropriate equipment for tapping these resources and make the fruits of their work available to the Third World on very, very, 'soft' terms.

Some token steps on these lines have no doubt been taken. The United Nations Environment Programme is engaged in a project to set up two regional energy centres in Africa and Asia to serve as demonstration units to encourage developing countries to use an 'energy mix' of solar energy, wind power, and bio-gas to meet the requirements of rural communities with a population of one thousand or so. Similarly, West Germany is engaged in co-operative solar energy projects in Egypt, India, Iran, Jordan, Mexico and Nigeria, with the object of developing low-cost energy technologies using easily produced and operated equipment. France is subsidising the marketing of a solar irrigation pump throughout the Third World. It is necessary that these scattered but most welcome initiatives are woven into a major programme based on an accepted philosophy.

Several attractive but wild-looking ideas are talked about but precious little research has been conducted with a view to transforming them from being mere mathematical calculations to practical programmes. We are told, for example, that in Rajasthan in India there are 300 days of clear sunshine, and even if one per cent of the solar heat there could be tapped as energy, it would yield energy, equivalent to twice the existing supply of electricity in the whole of India. But billions of dollars worth of research is needed, which is not forthcoming. We are told again that each tonne of foodgrain produced, also produces one and a half tonne of grass; and each tonne of grass could yield energy equivalent to half a tonne of coal. In India, with foodgrains production of over 120 mn tonnes, we have then an energy source nearly 90 mn tonnes of coal equivalent. But again considerable research and development effort is required.

One interesting and potentially crucial source of energy will of course be that of fusion, which may one day be the most important and permanent of all sources of energy. A recent announcement from London suggests the possibility of raising the laboratory temperatures far higher than those prevailing in the sun, *albeit* at an excessively high cost. But if this possibility materialises, then from then on, fusion energy combined with solar energy should satisfy all requirements for ever. This idea, though very valuable indeed, falls a little outside the scope of the point under consideration, *viz*, about technologies particularly suitable for adoption in the Third World. Fusion energy is not strictly in this category.

Appropriate areas of research mentioned earlier, therefore, need to be identified and explored, not necessarily by those to whom the geographical areas belong but more likely by those who have the capabilities and resources to conduct such research. The fruits of such research, when implemented, will be considerable and will pay their way many times over.

The industrial world itself stands to benefit immensely from such research. For, as a result of international co-operation arising from such research and technology, every one unit of renewable source energy consumed by the Third World means one unit of non-renewable source energy saved for the industrial world. The energy crisis had shown that political decisions taken in the OPEC countries affected the life-styles of the industrial countries much more than those in the Third World. We have now an opportunity to demonstrate that the fruits of research carried out in the laboratories of the industrial world can be enjoyed by the Third World to make life more comfortable in the industrial world. There is, I am afraid, little time to lose, because the exponential, whose dramatic effects were brought home by the Club of Rome, is already at work.

But will such international co-operation materialise?[21] I do not know; but I earnestly hope it does, because we could then have turned the energy crisis into an energy blessing.

Role of Consumer Organisations

Consumers' organisations may be prone to entertain a feeling of helplessness in tackling a problem of such vast magnitudes. This is not warranted. In whatever form energy is consumed in a society — whether through industry, agriculture, transport or commerce — the consumption is ultimately meant for the welfare of individuals, and any reckless use any sector affects and ultimately har the individual consumer. Just as increase in prices of energy increa costs of industrial products to consumer, ever-increasing use commercial energy, say, in transpo increases pollution for the individu Consumer organisations have therefo to rise to play an effective role tackling the impact of the ener crisis.

In chalking out a programme action by consumer organisatio some basic points need to be reca tulated: First, this is a world pro lem, with converging interests of consumers in the industrial and Third World alike. Secondly, problem is more acute in urban are where, luckily, the consumer mo ment is also better organised. Final the consumer organisations shou aim at creating a public awareness the problem and mobilising pub opinion. Through such an awarene even if they are not directly able effect conservation or shifts to a lar extent, they can induce the princip energy-using sectors, or induce t governments to take the necessa steps. In turn, governments would well to muster help of consum organisations to spread this muc needed awareness of the energy crisi Voluntary organisations, with the decentralised structure and grass-roo contacts, can often achieve faster a more enduring results. The remarkab success stories of the consumer mov ment in the Western countries a heartening from this point of view.

Here are a few relevant steps whic the consumer organisations, both the industrial countries as well as i the Third World could take, and few suggestions which they coul consider with a view to creating th much-needed public awareness:

(i) Reducing wastage of comme cial energy, for example, ele tricity. (By this, what is mea is that consumers' organisatio should create among the con sumers, the awareness of th need to reduce wastage commercial non-renewable ene gy.)

(ii) Increasing energy-efficiency domestic power-driven appliar ces. Dialogue with produce and educating the consume about the relative merits of th various brands.

(iii) Giving an 'energy-rating'

such appliances. Magazines like 'Which' could have this as a normal feature.

(v) Complying with government regulations to conserve energy, in spirit and not merely in letter. When fines are imposed as penalty for non-compliance with regulations, consumers should not get used to paying the fine, as if they were paying just the price of a commodity.

(v) Persuading government to give necessary incentives for conservation of commercial energy and for tapping renewable sources of energy.

(vi) Prevailing upon industrial companies to enumerate in their annual reports steps taken by them to conserve energy, to effect a shift to renewable sources; as also actual results achieved in these directions.

vii) Inviting industrial companies in the industrial as well as the Third World countries to set apart a fixed portion of their profits for research in renewable energy technologies and in conservation, as well as for popularising any such proved technologies in the Third World. The amount to be set aside need not be used by themselves; it could be used to fund similar expenditure by an outside approved agency.

iii) Introducing an energy-audit of major users of energy on the lines of social audit.

ix) Subjecting all new consumer products that consume needless energy to a social cost-benefit analysis.

(x) Mobilising public opinion particularly in the urban areas of the Third World countries against the lavish display of energy consumption during weddings and other social functions.

xi) Offering awards to households which can effect a continuous reduction in electricity and other energy consumption over successive billing periods.

ii) Organising frequent radio and TV programmes and film shows as well as lectures in schools to create awareness of the energy crisis, of the need for conservation, and of the importance and relevance of such technologies like bio-gas plants and solar heaters.

This is only an illustrative list. It d be idle to pretend that the task will be easy. Perhaps the biggest uncertainty will be as to how far people will be willing to accept changes in life-styles or accept self-denial in order to avert the energy crisis. There will be many other uncertainties mentioned in the article at various places. But I remain hopeful and convinced that several more and better areas will suggest themselves if an internationally drawn 'energy group' could be set up and charged with the task of expeditiously coming up with a practical programme for implementation.

Happily, these exhortations and specific proposals made in my Paper at the London Congress of the IOCU were widely supported in the discussion that followed and the IOCU adopted four Resolutions in their final session, which were as follows:[22]

(1) That the IOCU should establish an *energy working group* to establish priorities, positions and programmes for IOCU and its member organisations in the energy field.

(2) That consumer organisations have a vital role to play, not only by helping consumers in the market place with information and advice on products that have the most *favourable energy efficiency*, but also by contributing to an atmosphere of *energy consciousness* in the daily environment.

(3) That the *energy strategies of national governments* should be formulated in close co-operation with consumer organisations; for this purpose, all relevant information should be released by government and the fuel industries involved; in the formulation of such policies the impact of energy prices on the poorest sections of the community must be a matter of prime concern.

(4) That this Congress urges energy policy makers to meet increases in energy demand by pursuing the development of *renewable forms of energy supply* and by investment in *conservation* and improved energy efficiency in preference to further development of existing non-renewable methods of energy supply.

I welcome each and everyone of these four decisions. They give ample evidence that the consumer organisations appreciate not only the critical dimensions of the energy crisis and its inevitable impact on the individual consumers, but also the direction in which further action needs to be taken. Admittedly, the journey will be long and arduous; and will raise controversies at every step. But the prompt and constructive response of the IOCU gives hope that fresh steps to be taken would continue to follow the right course.

(Concluded)

Notes

[This article is based on my Paper first prepared for the International Organisation of Consumers Unions (IOCU) and presented at their 9th World Congress in London in July 1978. It now incorporates many changes, which became necessary in view of subsequent events, and in the light of several most valuable comments which I received, particularly from (i) Sir Derek Ezra, Chairman of the National Coal Board, UK, (ii) Sir Jack Rampton, Permanent Under-Secretary of State, Department of Energy, UK and (iii) Shri J R D Tata. I remain grateful to them for these as also to many friends and colleagues for the untiring assistance given to me in the course of this study. However, I am alone responsible for any inadequacies in the views expressed and in their presentation.

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To facilitate comparison, figures of Indian Rupees are expressed, wherever applicable, in US dollars at the notional rate of Rs 8.5 = US $ 1.]

14 *Ibid*, p 71.

15 The development of nuclear energy is one of the most controversial areas in the energy field. One of India's foremost nuclear scientists, Dr Raja Ramanna, for instance, considers nuclear power as the only answer to the energy problem of the world and of India (*Commerce*, Bombay, Annual Number 1977). On the other hand, some well known foreign experts conclude that 'commercial nuclear power looks more and more like a costly mistake' which the Third World countries would do well to avoid. A mere economist like myself cannot claim any special competence to take a view on this controversy.

16 Personally, I would have named these two alternatives — *viz*, the hard and the soft paths — exactly the other way round. I believe people get so much used to certain life-styles that even when the dangers inherent in them are pointed out convincingly, they find it hard to change direction radically. There is solace in the fact that if danger or disaster were really to strike sometime in the vague future, there will be millions of others in the same boat; and there is hope that somehow something will turn up by then to solve the problem. In my view, this approach, based on the common human tendency to shut off one's eyes to the impending hard realities, deserves to be called the 'soft path'. On the other hand, accepting a change of direction away from the present soft and cushy life-styles, with the hope — and only a hope — of a better tomorrow, not for ourselves because most of us may be dead by then, but for our grand-children, is a diffi-

cult thing to practise, a hard choice to make. I would have called this alternative 'the hard path'. However, not to add conffusion, I have, in the main body of the article, followed the use of the more commonly known names.

17 *Ibid*, p 69.

18 Schumacher, E F, "Small Is Beautiful", Chapter IV, Buddhist Economics.

19 Draft Five Year Plan, 1978-83, Government of India, Planning Commission, New Delhi, Chapter 10, Energy, p 162.

20 After this article was written, there has been a change of the government at the Centre. While details of the approach of the new government to the energy crisis are not yet known, happily, the broad contours became clear from the President's opening address to the Joint Session of Parliament when he said on January 23, 1980: "We are entering a period of rising energy costs and likely shortages in supplies. The government proposes to evolve a comprehensive national policy on energy with emphasis on fuller utilisation of renewable energy sources, traditional and non-traditional." The statement needs to be welcomed.

21 I am encouraged to note that the relevance of this point was recognised by the Heads of Industrial States at their Summit meeting in Bonn in July 1978. Their declaration, issued just a week after the London Congress at which this proposal was advocated, said: "To help developing countries we will intensify our national development assistance programmes in the energy field and we will develop a co-ordinated effort to bring into use renewable energy technologies and to elaborate the details within one year." Later, in September that year, the UK government announced that it would focus research on low-cost, small-scale renewable forms of energy suitable for the Third World (such as solar energy, wind, wave and tidal energy, water power and bio-mass). That government has also appointed six distinguished British scientists to form a task force on these energy research projects, with an assurance that finance will not be a limiting factor. So I am now in good company.

22 "The Proceedings of the 9th IOCU World Congress, London, July 1978", IOCU, The Hague, p 6.

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Unequal Exchange : Reply – II

Ranjit Sau

" is always a pleasure, and an honour deed, to answer a critique that helps clarify issues. Arun Bose has made ree main points in his communica-ons (*EPW*, July 21 and October 27, 979). Let me first list those points and mmarise my response.

Point A. Bose says Sau's first restric-ve assumption was that $p_x = p_y$ and = Y (July 21, p 1204). In my reply September 8, I demonstrated that is was a simplifying normalisation of riables, and then I gave a proof with-t taking $p_x = p_y$ and X = Y. Now ose says that my proof is not valid X > k > 3 and Y = 1 (October 7, p 1775).

Below I show that Bose has mixed (a) one equation derived with the ta $p_x = p_y$ and X=Y with (b) an-her equation derived with the data = 1, p_y=3, X=3, Y=1 and k=3. In any case I shall prove the exist-ce of unequal exchange with the ery data given by Bose.

Point B. Bose says 'a *second* restric-ve assumption made by Sau ... (is) hat trade between advanced and Third Vorld countries is always 'balanced rade'. This is almost never the case, nd a demonstration which depends pon this assumption is useless' (Octo-**er 27, p 1775).**

I maintain this is not an *assumption* nade by Sau. What I say is this: the oncept of unequal exchange is *defined* nder balanced trade. If you export oods worth of Rs 100 and get an im-ort of goods worth Rs 100, this is n equivalent or equal exchange in erms of *market prices, but* if it turns ut that the *labour-content* of the for-ner differs from that of the latter it by definition an unequal exchange. nd we have a theorem that under ertain conditions in a competitive narket such an unequal exchange pre-ails. It does *not* claim that trade etween advanced and Third World ountries is always balanced trade; any ore than it insists that perfect com-etition is the rule in international ade. Whether or not this concept is seless' is a matter into which we all go later after the basic issues are arified.

Point C. The socially necessary bour-time contained in a commodity nnot be quantified in view of the istence of the so-called 'commodity sidue'.

I shall show below again that the socially necessary labour-time contained in a commodity can be determined. An author should put in his best effort to give a clear exposition. So I shall try again.

Bose makes a reference to a controversy about the resolution of price into wage, rent and profit. For the moment we shall skip it because we are not concerned with the resolution of price into its various components; what is relevant to the present discussion is the determination of the labour-content of a commodity.

I

In *EPW*, July 21, p 1204 Bose said that two equations $P_x = P_y$ and X = Y are a restrictive assumption made by us. In our reply dated September 8 we showed that the above two equations were taken as a simplifying device; however, the model is valid in more general case for any arbitrary values of P_x and P_y. If I understand him correctly he is now saying that our proof does not hold if X exceeds k, k exceeds 3, and Y = 1 (October 27, p 1775). Let us see how he argues.

Consider two *alternative* sets of data, namely,

$$\text{Set I} \ldots \begin{cases} P_x = P_y \\ X = Y \end{cases}$$

$$\text{Set II} \ldots \begin{cases} P_x = 1, P_y = 3 \\ X = 3, Y = 1. \end{cases}$$

We know that the mathematical expression of the proof of unequal exchange under Set I is not necessarily the same as that under Set II. It is illegitimate to first derive an equation with the data of Set II and then to counterpose it with the corresponding equation derived with the data of Set I.

We shall use Bose's notations with the following alterations for the sake of typographical convenience; we write a for a_x, a'=for $(a_y + \triangle a_y)$, and b' for $(b - \triangle b)$. Take the data of Set II, and put k=3; then we get :

$$\frac{b}{1 - a(1+r)} = \frac{b'}{1-a'(1+r)} \quad \ldots (38)'$$

This is how Bose gets his equation (38)'. Then he says that this equation 'does not imply Sau's inequality (38) of Sau (1978), p 57' (October 27, p 1775). Of course, it does not. Inequality (38) of Sau (1978)[1], p 57, is worked out with the data of Set I, while Bose's (38)' is derived with the data of Set II. How can one imply the other?

In any case, here I prove unequal exchange with Bose's own numerical example, namely, k = 3, P_x = 1, P_y = 3, X = 3 and Y = 1. We get, with these data,

$$P_x = \frac{bw}{1-a(1+r)} = 1 \quad \ldots (1)$$

$$P_y = \frac{3b'w}{1-a'(1+r)} = 3 \quad \ldots (2)$$

Since we are considering balanced trade, we have :

$$P_x X = P_y Y \quad \ldots (3)$$

and, of course, we know X = 3 and Y = 1. Equations (1), (2) and (3) give us equation (38)'. So far we agree with Bose.

Note that 3 units of X are exchanged for 1 unit of Y. It follows precisely from (38)' that

$$\frac{3b}{1-a(1+r)} > \frac{b'}{1-a'(1+r)} \quad \ldots (4)$$

We interpret the LHS of (4) as the labour-content of 3 units of X and the RHS of (4) as the labour-content of 1 unit of Y (we return to the issue of quantification of labour-content in section III below).

This is therefore an unequal exchange. QED. The mistake of Bose is that at a crucial step he forgets that by his own choice one unit of Y is exchanged for, not one unit of X, but three units of X.

In the book under reference I have proved that *even* competitive trade between two capitalist economies would be an unequal exchange, unequal in terms of labour-content of traded commodities, against the interests of the economy with lower wage rate. Bose insists that the situation 'may still actually be reversed if X > k > 3, and Y = 1' (October 27, p 1775). I feel called upon to allay Bose's fear. In other words, here I prove unequal exchange against the interests of the economy with lower wages, even when X > k > 3, and Y = 1.1 proceed slowly, step by step.

Take Y = 1 and k = 4 which is hopefully greater than 3. Take P_y = 60, and P_x = 3. Since $P_x X = P_y Y$, or 3.X = 60.1 it follows that X =

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20. Thus we now have the following set of data.

$$\text{Set III} \ldots \begin{cases} P_x = 3, & P_y = 60 \\ X = 20, & Y = 1 \\ \text{and } k = 4. \end{cases}$$

We know:

$$P_x = \frac{b.w}{1-a\ (1+r)} = 3$$

and $$P_y = \frac{b'kw}{1-a'\ (1+r)} = 60$$

Since $P_x X = P_y Y$, we get:

$$\frac{20.\ b.w}{1 - a\ (1+r)} = \frac{1.b'.4.w}{1 - a'\ (1+r)}$$

or

$$\frac{b}{1 - a\ (1+r)} = \frac{1}{5} \cdot \frac{b'}{1 - a'\ (1+r)}$$

In this equation LHS is the labour-content of one unit of X, and the RHS is one fifth of the labour-content of one unit of Y. But in terms of the data as of Set III one unit of Y is exchanged for 20 units of X. Evidently,

$$\frac{20.b}{- a\ (1+r)} = 20 \cdot \frac{1}{5} \cdot \frac{b'}{1-a'\ (1+r)}$$

Or

$$\frac{20.b}{- a\ (1+r)} = 4 \frac{b'}{1-a'\ (1+r)} > \frac{b'}{1-a'\ (1+r)}$$

Hence, this is a case of unequal exchange. One unit of Y commands only 4 units of X in an 'equal exchange' in terms of labour-content, but in terms of market prices 1 unit of Y is exchanged for as many as 20 units of X. This is therefore an unequal exchange. QED. To repeat, the book gives the proof of unequal exchange in a simplified situation to get at the heart of the matter. Since it has apparently created confusion to at least one reader (of course, I have written the book for readers, not for me alone) I demonstrated the proof in more general terms in *EPW*, September 8, 1979. The fundamental equation from which the crucial inequality is derived is as follows:

$$\frac{b\ X\ w}{1 - a\ (1+r)} = \frac{b'\ Y\ kw}{1-a'\ (1+r)}$$

This is an equation with two unknown variables X and Y, and the parameter k. The equation thus has two degrees of freedom. Assign any arbitrary values to Y and k (greater than unity), it does not matter — the proof holds. Bose need not worry at all, but please, he must not mix up one equation derived with the data of Set I, with another derived with the data of Set II. To conclude, what Bose calls my first restrictive assumption is neither restrictive, nor an assumption, let alone being the first.

II

There is a distinction between a 'concept' as such, and the conditions under which the concept prevails in a given situation. For instance, in economic analysis 'equilibrium' is a concept, and there are certain conditions in a model when it comes into existence. Definition of a concept should be distinguished from the conditions of its existence. Bose's critic is apparently two-pronged in that (a) it denies the very concept of unequal exchange as such when it says that "Sau's attempt to conceptualise 'unequal exchange' in international trade is a failure, and *it is highly unlikely that any further attempt will be successful*" (July 21, p 1205, emphasis added); (b) but in the same breath it concedes the *existence* of unequal exchange under certain conditions, however restrictive, so that Bose calls it a "feakish special case, based on highly restrictive assumptions" (October 27, p 1775). Bose goes on to add that these "highly restrictive assumptions ... cannot be dropped without killing the result". Every theory makes certain assumptions, so does mine. I am yet to see a theory that does not make any assumption. In any case, what is at issue is: Does Bose understand the assumptions of my theory of unequal exchange? At any rate, how restrictive are they?

I take up now what Bose calls "a *second* restrictive assumption made by Sau, *viz*, that trade between advanced and Third World countries is always 'balanced trade'. This is almost never the case; and a demonstration which depends upon this assumption is useless" (October 27, p 1775).

Our reply: The concept of unequal exchange is defined in terms of balanced trade; if you export Rs 100 worth of goods and import Rs 100 worth of goods, and it turns out that the total labour-content of the former exceeds that of the latter, this is by definition an instance of unequal exchange, unequal in terms of labour-content of commodities. By no means it says that your trade *is* always balanced. One is definition, the other is an empirical observation; the two are not the same. I cannot imagine a theory which can say that no matter how much you export and how much you import, it is always an unequal exchange.

If you know the labour-contents of exports and imports respectively, it is possible to work out the limit of *unbalanced trade* upto which the unequal exchange holds. If the exports of Rs 100 has the labour-content of 120 units and the imports of Rs 100 have that of 80 units, it follows that only imports worth of Rs 150 in exchange of exports of Rs 100, under such circumstances, is an *equal* exchange; and that any thing less than Rs 150 of imports for exports of Rs 100 is an instance of unequal exchange.[2] To put it differently, the concept of un unequal exchange is defined under the situation of balanced trade, because only then a meaningful comparison of the transactions of labour-content can be made. Once having it defined that way, it can very well be applied to the case of unbalanced trade, but then one has to keep in mind that although an export of Rs 100 in return for an import of Rs 150 is an 'equal exchange', the importing countries have to pay, in addition, for the deficit of Rs 50 in the balance of payments, which in turn makes the whole deal an unequal exchange.

If Bose thinks this *definition* of unequal exchange is 'useless', that is his prerogative, and I have no comment to make. I repeat my position: the concept of unequal exchange is defined in terms of transactions which are *equivalent* by the standard of market prices (e g, exports of Rs 100 and imports of Rs 100), and it is shown that they are *not* equivalent in respect of labour-contents. It does *not* assume that the trade between advanced countries and Third World countries *is* always balanced, if only because there is no need for such an assumption.

III

Question: Can the total labour-content of a commodity be computed when the so-called 'commodity residue' is recognised? Bose goes into

this issue in his Section III (October 27, pp 1775-76).

Consider an economy which produces one commodity, apart from labour-power. To produce one unit of the commodity it requires a of itself as input and b of labour-power. The input a in turn is produced with a^2 of itself and ab of labour in the earlier period and so on. We weigh the labour input by the profit rate compounded according to the time period in which production takes place, and add up the series. Let S stand for the summation of the series which extends up to a finite time period *n*.

$$S = b + ab(1+r) + a^2b(1+r)^2 + \ldots + a^{n-1}b(1+r)^{n-1}$$

$$\text{or} \quad S = b\left[1 + a(1+r) + \{a(1+r)\}^2 + \ldots + \{a(1+r)\}^{n-1}\right] \quad \ldots (5)$$

Multiply both sides of (5) by $a(1+r)$ so that we get:

$$Sa(1+r) = b\left[a(1+r) + \{a(1+r)\}^2 + \{a(1+r)\}^3 + \ldots + \{a(1+r)\}^n\right] \quad \ldots (6)$$

Subtract (6) from (5).

$$S - Sa(1+r) = b\left[1 - \{a(1+r)\}^n\right]$$

$$\text{or} \quad S = \frac{b\left[1 - \{a(1+r)\}^n\right]}{1 - a(1+r)} \quad \ldots (7)$$

In equation (7) the term $a^n(1+r)^n$ in the numerator is the 'commodity residue' multiplied by $(1+r)^n$. What we do assume is that:

$$a(1+r) < 1 \quad \ldots (8)$$

Then it follows from (7) and (8) that:

$$\lim_{n \to \infty} S = \frac{b}{1 - a(1+r)} \quad \ldots (9)$$

And this expression appears in the denominator of expressions (38)', (1), (2), (3), (4). This is interpreted as the total labour-content, weighed by the rate of profit. And it is a determinate quantity, despite the commodity residue, provided (8) is satisfied.

How restrictive is (8)? As we understand it, it is a condition for the *existence* of a viable capitalist economy with a positive price for its commodities. If it is violated, price becomes non-positive. Given that wages are paid at the end of the production period, and material input is bought at the beginning of the period, we know that price p can be derived as follows:

$$p = bw + ap(1+r)$$

$$\text{or,} \quad p = \frac{bw}{1 - a(1+r)} \quad \ldots (10)$$

where w is the wage rate. Equation (10) shows that p cannot be positive unless $a(1+1)$ is less than unity.

As for the contention of Bose in section II of his rejoinder (October 27, p 1775), let us only say this much: in the case of a multi-commodity model an analogous method is applied to find out prices and the labour-contents of commodities using the Leontief system. I have not assumed that in the multi-commodity model *one* commodity x is produced only by that commodity x and labour, and another commodity y is produced only that commodity y and labour. True, I did not mention that x and y are *vectors*, for I thought it is well-understood in a Leontief model that x and y are *vectors*, but I did mention is a vector (September 8, p 155

IV

Bose says that "the only av Marxian classic on international is Marx's 'On the Question of Free in Karl Marx (1848, nd): "The I of Philosophy", Foreign Language lishing House, Moscow, pp 234- must say Bose has a sense of hu For my genuine copy of the book red to by him, duly ends at p 23 ing no pp 234-53. Anyway, the is well-known. Only thing I wou to submit for his consideration Marx had written a lot more on national trade after 1848. If desires, it would be my pleasure t him references.

Notes

1 Ranjit Sau, "Unequal Exc Imperialism and Underdevelop Oxford University Press, 1978.

2 There is, incidentally, a graphical error in my reply, September 8, 1979. In page column 1, line 4, please 100 wine = 88.89 cloth, place of 90 wine = 88.89 c

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Bringing the States to Heel

BOTH in 1977 when the Janata party government at the Centre dismissed the nine state governments and at present when the Congress (I) government at the Centre has repaid the Janata (as well as the AIADMK-led coalition government in Tamil Nadu and the PDF government in Maharashtra) in the same coin, more than the constitutional, legal or moral principles, what weighed was the perceived political advantages of taking such a step, though both in 1977 and now, suitable rationalisations were and have been offered. Viewed thus, the action of the new government was to be expected; but whether the desired political advantages will be gained is another matter.

Indeed, the vacillation that marked the public utterances of top Congress (I) leaders before the sack suggested that they were all aware of the double-edged nature of the weapon of dissolution. And despite all the talk of the precedent established by the Janata party itself in 1977, the Congress(I) leaders cannot be unaware of some significant differences between the political situation as it existed in 1977 and at present. The most important of these of course is that while the Congress was routed in the states where the assemblies were dissolved, in the present instance, of the nine states, only in three — Gujarat, Orissa and Punjab — can it be said that the Congress really swept the polls (capturing 25 out of the 26 Lok Sabha seats in Gujarat, 12 out of 13 in Punjab and 19 out of 21 in Orissa). While no doubt the Congress has secured a majority of seats in UP, Bihar, Rajasthan, Madhya Pradesh, Maharashtra and Tamil Nadu, its victory is nowhere near overwhelming; and in no state has the Congress been able to capture all the seats for the Lok Sabha, as the Janata did in many states in 1977.

Quite apart from the disparity in the scale of the sweep by the Janata in 1977 and the Congress (I) in 1980, the objective circumstances in 1977 and 1980 too are different and indeed, the Supreme Court, while upholding the Janata government's action in dissolving the state assemblies, pointedly noted the unique feature of the 1977 Lok Sabha poll results: "This is not a case where just an ordinary defeat has been suffered by the ruling party in a state at the elections in the Lok Sabha. There has been a total rout of candidates belonging to the ruling party. In some of the plaintiff-states, the ruling party has not been able to secure a single seat. Never in the history of this country has such a clear and unequivocal verdict been given by the people, never a more massive vote of no-confidence in the ruling party." This, as well as the extraordinary circumstances that prevailed both at the time of the 1977 polls and in the 19 months preceding them, and which constituted what the Supreme Court called the "cumulative effect of circumstances", is certainly lacking in the present instance.

Hence, the attempts to find seemingly more legitimate reasons for the dissolutions — the discovery of a serious breakdown of law and order in some of the affected states, the alleged unwillingness of the state governments to 'co-operate' with the Central government, and more specifically, the anticipated obstructionist tactics that *could* be adopted by them in regard to ratification of the 45th amendment of the Constitution. That the 45th amendment needs to be ratified (if at all) by only half the total number of state assemblies (in fact the Kerala assembly has already ratified it) and that none of the states had even remotely threatened to stall the measure (the bill was adopted unanimously by both the Lok Sabha and the Rajya Sabha), are apparently small matters.

But it is fruitless to pick holes in the constitutional, legal and moral arguments — such as they are — that have been adduced to justify the dismissal of the state governments. What is more material is the political reasons that influenced the decision and the political advantages that are sought to be gained, and whether these, considering the differences between 1977 and 1980 perceived even by the ruling party, are attainable. It now appears that there might be some administrative impediments to having a quick election in the states about which the Election Commissioner has already spoken. Indeed, with the dissolution of the assemblies in the nine states, the position of the party in the Rajya Sabha after March 31 when 76 members will retire might be worse than at present; and considering that the opposition in the Rajya Sabha forced an amendment to the motion of thanks to the President explicitly regretting the absence in the President's address of any assurance that non-Congress (I) state governments would not be destabilised, it is quite likely that when the proclamation dissolving the state assemblies is placed before the Rajya Sabha for approval (as it is must be, within two months of the proclamation being issued), the Rajya Sabha

which will still continue to have a non-Congress (I) majority might disapprove of the proclamation, thus creating quite a nice constitutional pickle.

Secondly, of course, the Congress (I) might not even do well in the coming polls — a distinct possibility since the internal organisation of the party has already begun to show signs of strain. It will be interesting to see how the party will cope with some of these constitutional, administrative and organisational problems.

Of more immediate and serious relevance is one of the rationalisations put forward in justification of the dismissals — the argument that a party other than the ruling party at the Centre being in power in a state would necessarily mean that the allegedly 'progressive' measures of the Central government cannot be carried out in the presumed antagonistic state. The whole argument is clearly designed to impose the monopoly rule of the Congress party in all parts of the country — a state of affairs that did not prevail even in the heyday of Jawaharlal Nehru.

Food for Work

Juggling Mandays

IMPRESSIVE results have been claimed for the government's food for work programme. According to the revised Draft Plan, 1978-83, 313 million mandays of employment were created under the programme in 1978-79, which was the first year of its full implementation. This is the equivalent of providing full year-round employment to over 7.5 lakh persons.

The Programme Evaluation Organisation (PEO) of the Planning Commission has carried out an evaluation of the programme in 10 states where it has apparently made the most headway. The survey covered two districts from each state, two blocks from each district, two villages from each block and 10 households from each village. The interim report of the survey has been released recently.

Of the respondents in the PEO's sample who sought employment under the food for work programme in 1978-79, a little over one-half were agricultural labourers. A little over one-fifth were cultivators, indicating the dependence of the poor (and also perhaps the middle) peasantry on wage labour. The proportion of cultivators among the job-seekers was notably high in both the selected districts of Maharashtra (Bhandara and Nasik), of Orissa (Cuttack and Dhenkanal), of Rajasthan (Jodhpur and Jaipur) and of Uttar Pradesh (Bulandshahr and Lakhimpur-Kheri) and in the Panchmahals district of Gujarat. Similarly, nearly one-fifth of those seeking employment came from non-agricultural classes, perhaps indicating the distressed conditions of traditional village craftsmen, etc. Their proportion was particularly high in the two selected districts of Bihar (Bhojpur and Samastipur), Panchmahals, Bhiwani (Haryana), Dhenkanal and Jaipur. Scheduled castes comprised 42 per cent of the job-seekers, but the proportion of caste Hindus was 45 per cent — suggesting that poverty and destitution in the rural areas definitely cut across caste lines. The proportion of caste Hindus was very high in both the selected districts of Andhra Pradesh (Guntur and Medak), Bhojpur and Samstipur, Jaipur and Jodhpur, Indore (Madhya Pradesh) and Bhandara. The two districts chosen from West Bengal (Burdwan and Nadia) stand out for the very high proportion of both scheduled castes and agricultural labourers among the job-seekers.

The total expenditure on the food work programme in the selected villages in 1978-79 was Rs 24 lakhs. Since 3.73 lakh mandays of employment are claimed to have been generated, the average expenditure per manday comes to Rs 6.50. In six of the 10 states, however, average expenditure per manday ranged between Rs 4.50 and Rs 5.50. Since this includes other costs besides wages, the inference about the prevailing levels of wages under the food for work programme is not particularly hopeful, especially if allowance is made for leakages out of the labourers' earnings into the pockets of contractors, supervisors, etc. The break-up of total expenditure into its foodgrains and cash components shows some intriguing regional variations. Thus in Gujarat and Maharashtra the expenditure was almost wholly in cash (rendering the food for work label a misnomer), whereas in Bihar, Orissa and UP it was almost wholly in terms of foodgrains.

The PEO study brings out some of the garden variety of malpractices in the administration of the programme: continued use of contractors for employment of labour and distribution of foodgrains, inflation of muster rolls, delay in supply of foodgrains, underpayment of wages, supply of inferior quality foodgrains and, in one case, even sale of foodgrains to finance purchase of crockery and furniture for government inspection bungalows. These malpractices, which are endemic to all public works and relief programmes, reflect the weak bargaining position of the poor who are employed under these programmes in relation to the private contractors and trade well as government functionaries. the PEO study points out, when cases were filed against contractor malpractices, "the labourers refuse give evidence before the court for of losing employment."

On the central question of the ber of mandays of employment cre under the food for work progra the PEO survey proves to be a d squib. In the 80 villages studied the PEO, 3.73 lakh mandays of ployment are claimed to have b generated in 1978-79. This is q simply the figure supplied to the P by the respective state governm authorities. The PEO does not g figures of the number of mandays a ally worked under the food for w programme by the respondents in sample. This startling omission is deed hard to explain. What is gi instead is something which can at b be only a guess-estimate: the numb of mandays for which the respond households were employed in 1977 prior to the starting of the food work programme and the total manda for which they were employed the n year. For what they are worth, a co parison of the two sets of figures sho that for the respondent households t mandays of employment were 10.9 p cent higher in 1978-79, though it anybody's guess as to whether all, how much, of this improvement w attributable to the food for work pr gramme. (1978-79 was a very goo agricultural year and there may we have been some expansion of norm agricultural employment.) The gain employment varied very much, from 3 per cent in the selected villages Gujarat and 29 per cent in Madhy Pradesh to less than 1 per cent in Biha The expansion of employment Rajasthan (3.5 per cent), Orissa (5 per cent), Maharashtra (6.4 per cen and West Bengal (6.4 per cent) w relatively small.

Mizoram

A Gesture, but What Next?

EVER since the 'arrest' of Laldeng last year — a pure fiction since h had already been under house arre for over a year after the talks betwee him and the Union home ministe broke down in March 1978 — th persecution of the Mizo leader h gone on unabated, even to the exte of his being solemnly charged wit waging war against the governmen something which the MNF leader ha never denied, and which indeed wa the very reason for his being promise a safe conduct and invited to come t

hi for talks in 1976. The broken mises and betrayals that characterise vernment of India's dealings with MNF leader starting from the eement of February 1976 make a ry chapter.

Perhaps a change of government at Centre was necessary for the dia- ue to be resumed with the MNF. e Janata government, whatever ght have been its positive achieve- nts elsewhere, certainly failed to the confidence of even the gov- ments in the northeast, not to ak of the people in the region, almost everything that its senior ders said and did appeared to be culated to alienate the people of se states.

n welcoming the victory of Indira ndhi in the recent Lok Sabha polls, MNF leader appears to have been ved by his hope, if not expectation, t Indira Gandhi would be more ponsive to the aspirations of the zo people than the leaders of the ata. It is true that the Calcutta eement was arrived at during the ime of Indira Gandhi; but it is ually true that like the 'Shillong reement' on the Naga insurgency, it was arrived at during the Emer- cy; more tellingly, the parties to the cutta conference, like the parties to Shillong agreement, have them- ves now been split into various fac- ns — surely one of the achievements the intelligence branch of the Gov- ment of India which first created conditions to make the Calcutta ference possible.

The reasons for Indira Gandhi res- nding to the welcome accorded to victory by the MNF leader by ering the withdrawal of the crimi- cases against him and promising to ume the talks are easy to see; with problem in the biggest and the st important component of the theastern states, Assam, for the mo- nt looming much larger than any- ng else in the region — unlike the urgencies in Nagaland or Mizoram ich impinged upon the national con- ousness, if at all, only as minor sances in some obscure corner of country, the current agitation in am has seriously disrupted the na- al economy and cannot be contain- by the mere device of declaring the a as a 'disturbed area' and hand- over the affairs to the armed es — the Centre would naturally to get such minor irritants as the o problem out of the way before ing down to the more serious pro- n in Assam.

ut the reason for Laldenga's ap- parent expectation that he will be able to get a better deal from Indira Gandhi than was the case with his dealings with the Janata government are difficult to understand. It cannot be that the MNF and its leaders really believe that the Congress(I) government will be more responsive to the problems of the Mizo people than the Janata government, for what is notable in any overview of the Government of India's policy towards the people in the peripheral regions is its essential continuity. Equally, the MNF cannot be unaware of the fact that the insurgency in Mizoram broke out almost simultaneously with the coming to power of Indira Gandhi, that the fiercest repression let loose in the area was during her regime, and that the imposed solution brought off in the Calcutta conference was at least in part the result of continued military pressure upon the insurgent forces.

Perhaps, an answer to the apparent change in the stance of the MNF may be found in the certain internal developments in Mizoram, more specifically, in the MNF itself. It is a truism that an insurgent movement cannot be conducted by remote control; and by isolating the leader of the MNF from his followers, even physically, the Government of India has to a large extent succeeded in dividing and confusing the rank and file of the insurgents. Much of the 'surrenders' probably belong to the realm of fiction; but there have also been some genuine thinning of insurgent ranks, though some of these surrenders might be 'furlough' that insurgent rank and file avail of, it being clearly understood that even if such temporary opting out of the guerilla routine were to become permanent and one were to be permanently back in civilian life, such an action would not be held against the person concerned. And apart from these organisational compulsions, the political reality in Mizoram itself should have influenced the MNF leader's decision to resume talks. Apart from the split in the Peoples' Conference and the results of the recent Lok Sabha polls, the opposition parties (and even the ruling party) have urged the Government of India to resume talks with the MNF.

Whatever be the hopes and expectations of the Government of India and the insurgent leadership about the coming talks, the fact is that the issues raised by the MNF during the past fifteen years or so of political and military struggle are nowhere near to being resolved. On the face of it, it appears as if only the degree of the autonomy of the Mizo people needs to be determined and agreed upon since the MNF has acknowledged Mizoram to be an "integral part of India" and would be willing to accept a settlement of all problems in Mizoram "within the framework of the Constitution of India". But, as Laldenga has always maintained, the acceptance of these propositions in no way rules out discussion of the larger national question in Mizoram. In fact, with the reactivisation of the national question even in such 'settled' areas as Assam, it would be idle to expect the question to disappear in such a peripheral region as Mizoram.

What has been lacking in all the past and present parleys that the Government of India has had and is having with representative and not-so-representative leaders in these peripheral regions is a conviction in the latter about the goodwill of the former. In the present instance, for example, the Government of India's gesture in withdrawing the cases against the MNF leader and his associates might suggest that its intentions are matched by actions. A more convincing demonstration of its peaceable intentions would however be seen towards the end of this month if it will allow the latest of its six-monthly proclamations declaring the whole of Mizoram as a 'disturbed area' (issued on September 1 last) to lapse. However, going by past experience, it is unlikely that the Government of India will do any such thing.

Southern Africa

Ganging Up against ZANU

Karrim Essack writes :

WHILE the focus in Rhodesia is now on the final phase of elections scheduled for February 27-29, preparations appear to be already afoot to finish off the 21,000 guerillas in the assembly points should the ZANU-PF led by Robert Mugabe win a majority of seats. For instance, at Magadse, 100 km from Salisbury, the Rhodesian troops had set up an 'observation post' overlooking this assembly point, and the PF guerillas had to open fire with mortars and small arms to drive them out. In fact, the areas round the assembly points have been mined to prevent a quick get away. In short, the guerillas are surrounded at the as-

ANNUAL NUMBER

The Annual Number is under print and is expected to be ready shortly.

sembly points, Smith and Muzorewa are not entirely wrong when they claim that those assembly points are in fact surrender points.

Truly, the positive steps taken by the British-appointed governor, Lord Soames, have a meaning and a design: the permission given to Muzorewa's private army to occupy areas vacated by the guerillas; the permission given to Ian Smith's forces to attack ZANU guerillas; the confiscation of tons of materials of ZANU-PF as well as their vehicles — all these appear to be part of the plan to place the utmost obstruction in the path of ZANU-PF. Indeed while Garfield Todd, the former prime minister of Rhodesia, is arrested on charges of harbouring guerillas and while top ZANU leaders have been arrested for merely speaking to dissident guerillas, those who have attempted to kill Robert Mugabe and Kambirai Kangai have not been touched.

The most astonishing part of the Lancaster House Agreement has been virtual immobilisation of 21,000 guerilla troops at the 18 assembly points. Theorists of guerilla warfare would indeed be horrified to learn of the 'stationing' of guerillas — a contradiction, since a guerilla by definition represents constant movement, attacking and retreating, concentrating his forces and then dispersing them, with the people and away in the forests. But now the guerillas have voluntarily left their bases, leaving the people who gave them protection, food and water. The most humiliating aspect of the arrangement has been that they now have to rely even for their food on the colonial power.

Despite these handicaps and the potential liquidation that is inherent in their vulnerable status, the leaders of the Patriotic Front have drawn huge crowds everywhere they have gone — or have been allowed to go to — in their election campaign. Even Soames, with his petty and unconcealed hatred for ZANU, has been unwittingly helping the ZANU-PF. Every time he accuses ZANU of ceasefire violations, every time there is an assassination attempt on ZANU leaders, thousands of uncommitted voters turn to ZANU. The people know their enemies; and even those who still had to be convinced as to who their real leaders were have been helped by Soames to make up their minds, for an enemy of the British governor had indeed to be their friend.

However, the more far-sighted section of the bourgeoisie is not going to give up without a fight — however much anxious Britain might be to create an impression that its overwhelming concern in Rhodesia is to 'wash its hands off'. Britain is certainly anxious to be freed of its constitutional obligations in Rhodesia; but it is even more anxious that the successor regime would be of an 'acceptable' colour — to the whites. Capitalising on the fact that the two components of the Patriotic Front, ZANU and ZAPU, are fighting the elections separately, this section has tried to draw Nkomo away from ZANU by dangling before him the prospect of prime ministership in a government of ZAPU and the sm parties, including if necessary e Muzorewa's UANC. Ian Smith him has floated this balloon of 'Support Nkomo' in order to keep Mugabe The thinking behind this is that o Mugabe is taken care of along w the ZANIA forces, Nkomo can handled. It is to forestall this that OAU at its extraordinary session su moned both the leaders to Addis A ba and sent a special plane for t purpose. Britain refused to allow

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ane to land in Salisbury. Nevertheless the message from Addis Ababa ot through and Mugabe has now said hat he would consider a coalition ith Nkomo, whether or not his party on an absolute majority at the polls. Anticipating such unity, the authoties in Rhodesia have ordered a call-p of the 100,000 white reservists. mith has gone to the US to get more ercenaries, as well as money. The ost ominous development has been e decision by British government to k South Africa to loan it 90 mine rotected vehicles — clearly preparing e world community for South Afri-a's direct involvement in the event of breakdown of the present fragile ceafire and the inevitable resumption of ostilities.

H Z Gilani

H T Parekh writes :

MY earliest remembrance of H Z Gilani, who passed away last week, was as an ardent *chela* of Ashoka Mehta in the young group of the Congress Socialists in the late forties at the dawn of Independence. He had courted jail in the freedom struggle and participated in every type of social movement as a humble worker.

Soon after, he took to journalism by joining the Janmabhoomi group of papers. His sincerity, nationalist and human outlook, tremendous capacity for work, modesty and pleasant and even temperament earned for him high esteem in the world of Gujarati journalism. With his family's business background, he took easily to commercial journalism. He persuaded his group of the need to start a commercial journal in Gujarati, and thus started *Vyapar* as a weekly, which came well after *Commerce* and *Capital* in English but well before the *Economic Times* and *Financial Express*. *Vyapar* is now thirty years old and is published twice a week. Without the pioneering zeal and effort of Gilani, its founder-editor of over 25 years, the paper could not have established the name it has in commercial journalism in India. For the business community, largely but not wholly Gujarati-speaking, all over India, those engaged in trade as well as small industry, *Vyapar* became indispensable because it gave just the information they needed. The English commercial journals, weekly and daily, catered more to the large companies while *Vyapar* looked at what was essential to the small man in business. Gilani's understanding of business, resourcefulness, dedication to work, ability to attract loyal workers with a spirit of service and idealism helped him to establish *Vyapar* as an important commercial journal, on which the government also came to depend.

Gilani succeeded in building personal relationships with many eminent journalists, including Sachin Chaudhuri who founded *The Economic Weekly*. As in the case of Sachin, Gilani's was a one-man show. Both, in their different ways, were pioneers and dreamers, who became institutions in themselves. Both did a lot to provide training to many who have come up in journalism. Gilani did not have the versatility nor overall approach of Sachin, but he possessed the insight and practical approach which attuned him to the businessman's thinking.

Like so many others, I have lost in Gilani a dear friend who never let a Diwali and New Year's day pass in over thirty years without visiting me, whether he was well or not. Men like Gilani are very few, who contribute so much without projecting themselves in the least. They grow with the strength of their character and integrity.

LETTER TO EDITOR

West Bengal Elections

AJIT ROY ("West Bengal: Sharp Polarisation", January 12, p 47) makes the fantastic assertion that "between 1977 and 1980 the mass base of the Congress(I) has registered a faster rate of growth than that of the CPI(M)". To buttress his point, he compares the respective percentage shares of the two parties in the total valid votes polled in the 1971, 1977 and 1980 Lok Sabha polls. Such a comparison is clearly invalid, since in none of these polls was the number of candidates put up by the two parties the same. What is much more meaningful is the percentage of votes polled per candidate by either party in the different polls. As the accompanying Table indicates, while this percentage has more or less stagnated for the Congress at around 0.91 since 1971, in the case of the CPI(M) it has increased spectacularly between 1971 and 1980. Even more remarkable, in 1977 a CPI(M) candidate on the average polled 1.31 per cent of the total votes cast in the state with the full backing of the Janata party; the same percentage of votes has been obtained on the average by the candidates of the CPI(M) in the 1980 elections despite the fact that the Janata was solidly arraigned against it.

Ajit Roy makes another point. He says that the CPI(M) in 1971, fighting alone, got 34.30 per cent of the total votes polled; in 1980 the party could increase its percentage share of the votes only with the support of a broad Left alliance, including the CPI. Apart from the fallacy in such comparisons — as pointed out above — anyone with a marginal acquaintance with the political situation in West Bengal will acknowledge the fact that the basic strength of the Left Front in West Bengal is essentially the strength of the CPI(M). In case its poll partners, such as the RSP, the Forward Bloc and the CPI, had decided to fight the recent Lok Sabha elections separately, it is doubtful whether the three of them together would have been able to command even one per cent of the total votes cast in the state. Let me add that in the recently concluded poll, 41 candidates of the Left Front polled in the aggregate 53.75 per cent of the total votes cast; once more, the votes polled per candidate is 1.31 per cent of the total votes cast. This would seem to signify that the CPI(M)'s — and the Left Front's — influence over the electorate is coterminus.

ADRAK VYAPARI

Calcutta,
January 28.

TABLE

	1971		1977		1980	
	CPI(M)	Congress(I)	CPI(M)	Congress(I)	CPI(M)	Congress(I)
Number of candidates	38	31	20	34	30	40
Percentage of total valid votes	34.30	28.23	26.15	30.69	39.43	36.47
Percentage of total valid votes per candidate	0.90	0.91	1.31	0.90	1.31	0.91

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (26.1.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-7
All Commodities	1000	224.8	0.6	21.4	18.0	−0.1	5.1	2.1	−1.
Primary Articles	417	212.3	1.4	18.3	17.4	−1.4	9.7	0.8	−6
Food Articles	298	187.1	−1.8	11.8	10.3	−0.7	11.7	−5.1	−4
Non-Food Articles	106	201.7	1.5	15.5	15.9	−4.6	6.1	19.7	−14
Fuel, Power, Light and Lubricants	85	295.2	—	22.8	14.2	4.4	1.4	5.3	10
Manufactured Products	499	223.3	0.1	23.6	19.3	0.1	2.2	2.3	1.

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-7
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1.
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2.
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13.

Money and Banking	Unit	Latest Week (25.1.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	24,130	210 (0.9)	2,907 (13.7)	2,272 (10.4)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,23 (10.4
Net Bank Credit to Government	Rs crores	18,394	1,076	4,258	3,002	1,921	2,449	910	559
Bank Credit to Commercial Sector	Rs crores	29,472	584	4,216	4,139	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,520	−133	381	101	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 1.2.80)	Rs crores	31,155	17 (0.1)	4,806 (18.2)	4,280 (15.9)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	146.3[9]	150.6	147.4	2.2	6.8	5.3	9.8	4.7
Basic Industries **	32.28	158.4[8]	169.6	161.2	5.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	155.4[8]	165.5	156.4	5.8	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	132.7[8]	139.1	131.7	5.6	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	119.5[8]	138.2	143.4	−3.6	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	159.6[8]	159.7	145.4	9.8	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	114.6[8]	135.6	143.2	−5.3	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Nov 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	395	3,833 (13.0)	3,392	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	601	5,061 (22.8)	4,121	6,764 (12.3)	6,025 (18.7)	5,074 (−3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−206	−1,228	−729	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,83 (2.6
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,17 (−15.8
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	39 (−23.3

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January and so on. (2) Figures in brackets denote percentage variation over previous period.

Visible Contradictions

Romesh Thapar

the euphoria over 'massive man-es' and 'split votes' settles, the poli- of India continue to fascinate. The t' strongholds are consolidating even Janata's base in Haryana cracks, and Congress(U), after defeating the ngress(I) in Goa, surrenders to it. If keep the so-called left out, the rest the political play is as opportunist ever. And the wonder is that, man-es notwithstanding, Indira Gandhi ourages the opportunism, even ad-tises it in photographic displays. ijay Gandhi's 'white-shirts', the ex-ients of a new political culture, don't the looks of what's going on; it ght drown them among the old *dhoti-llahs*.

The situation is shot through with manner of contradictions, and cer-ily capable of taking startling turns. art from the prevailing confusion r Afghanistan and the Superpowers, l India's urgent need to evolve an rnative which safeguards both her erests and those of southern Asia, sam and the North-East is in an ex-sive mood. The closure of the oil ilities in Assam, which could dis-t the fuelling of industry and tran-rt in eastern India is bad enough — d no 'relief' can be imported because distribution is by pipelines based Assam! — but the administration is ing autonomy and secessionist de-nds which it feels can only be mped out by paramilitary force in more brutal forms.

Populist speech-making and daily re-nders that 'the people' demand this d that — remember the Congress(I) ly polled 40 per cent of 55 per cent! tend to fog the sharpness of the blems with which we are beset: a ce rise which cannot be arrested at ything less than 20 per cent per year, law and order situation which con-ues even at the level of daily dacoi-; in the Capital, and huge disloca-ns in the supply of essentials like ar and kerosene. Any day, 'the tem' will be asked in childish terms find the 'saboteurs'. Then, the fat l be in the fire, with vendettas and mosities taking precedence over all .

Surprisingly enough, it is the civil vice and police which are the most pressed and demoralised. They are ng subjected to an undeclared spoils system. In the US, thousands of posi-tions in the administration are filled by the direct nominees of the party in power, but it is a regular and accepted part of political change. In India, in-heriting its traditions from the British, the services are designed to provide the continuities. This is no longer the case. Years ago, favouritism of various kinds softened the framework. Later espousal of 'committed men' by Indira Gandhi and the Janata party broke the spine of the services. And, now, the return of the operators who worked the Emer-gency for Indira Gandhi and Sanjay Gandhi has just about cancelled out any morale the services may have had. What's more, no one of merit really wants the critical assignments for fear that pressures will be used on them to organise convenient 'short-cuts' to wealth and power. The openings are now for the loyal and devoted.

The spoils system is a very serious matter if it is conducted in this rather crude political manner. The elite in India is small and inter-locked. Every injustice sets off chain reactions, and the repercussions easily build to a con-tinental scale. Imagine the impact that Petroleum Secretary B B Vohra's latest letter to Cabinet Secretary Nirmal Mukerji, making several most damaging allegations, has on a service which has been led to believe in the integrity, honesty and impartiality of its highest echelons. Admittedly, we have been so impoverished in morals and principles by the events of the past five years that we don't really care. If alternatives existed, the old steel-frame could have been struck down. But the alternatives haven't even been thought about.

The talk of the town is the vision of Yashpal Kapoor as the PM's special in-vestigator of Assam's troubles and his 'talks' with the ever correct Governor L P Singh, or the 'banishment' of for-mer Foreign Secretary T N Kaul to his orchard in the Simla Hills for his crude and biased drafting on Afghanistan, or the roll call of familiar names (Bhinder of the police, Sen of the CBI, N K Singh of the IAS, Jag Mohan of the DDA, etc etc) which is regularly repeat-ed in the speculation over the alloca-tion of jobs, or the new culture of San-jay Gandhi's men in the Central Hall of Parliament, or the revival of the Re-public Day Honours by Indira Gandhi. And the fear is creeping up the spines of the citizenry as the old Caucus boys strut around making their presence felt.

Let's face it. The other day, when I saw the picture of Prime Minister Indira Gandhi presiding over a meet-ing of the Opposition leaders, I felt they were all really cows from the same shed. Imagine any of them with a 'massive mandate', and they would be gathering their authoritarian chemicals. The lady's style is sharper, more direct. That's all. And we are back to the old question: do we build a vigorous de-mocracy of give and take or are we condemned to bending the knee before the throne, whatever throne? I thought we had settled it long ago. Apparently not.

The G. S. Ghurye Award for 1979

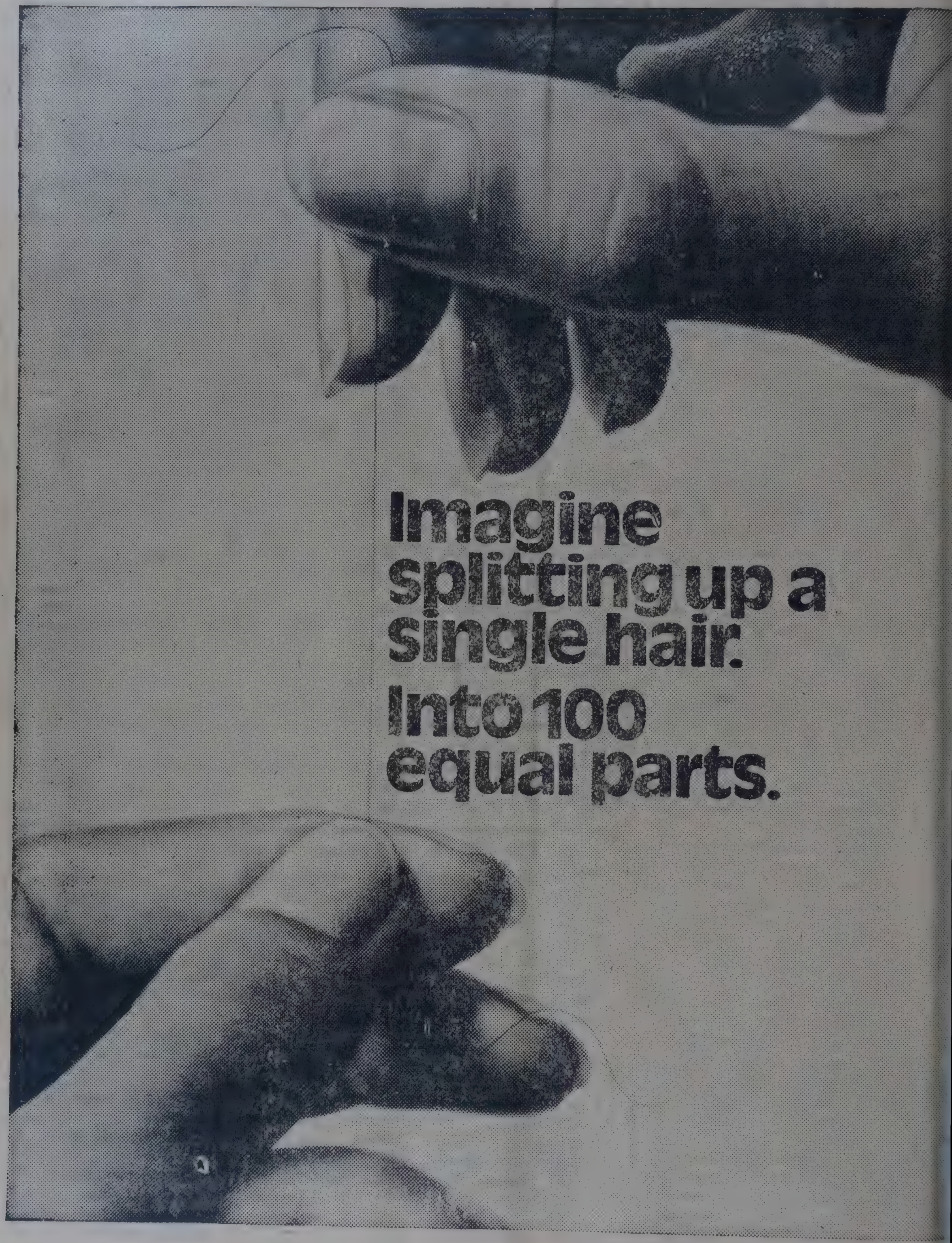
An award called the G. S. Ghurye Award for the best published work in Sociology and Anthropology has been established in the Uni-versity of Bombay. It consists of a cash prize to be awarded annually to an Indian author for a book or monograph in English on a subject in Sociology or Anthropology which in the opinion of the Award Committee is the best published work of the calendar year. Books and monographs published in India and abroad will be considered for the award.

Suggestions for the 1979 award are hereby requested. The name of the author and publisher and the title of the book should be sent to the undermentioned as early as possible.

Prof. J. V. Ferreira
Department of
Sociology
University of Bombay
Kalina, Bombay 400 098

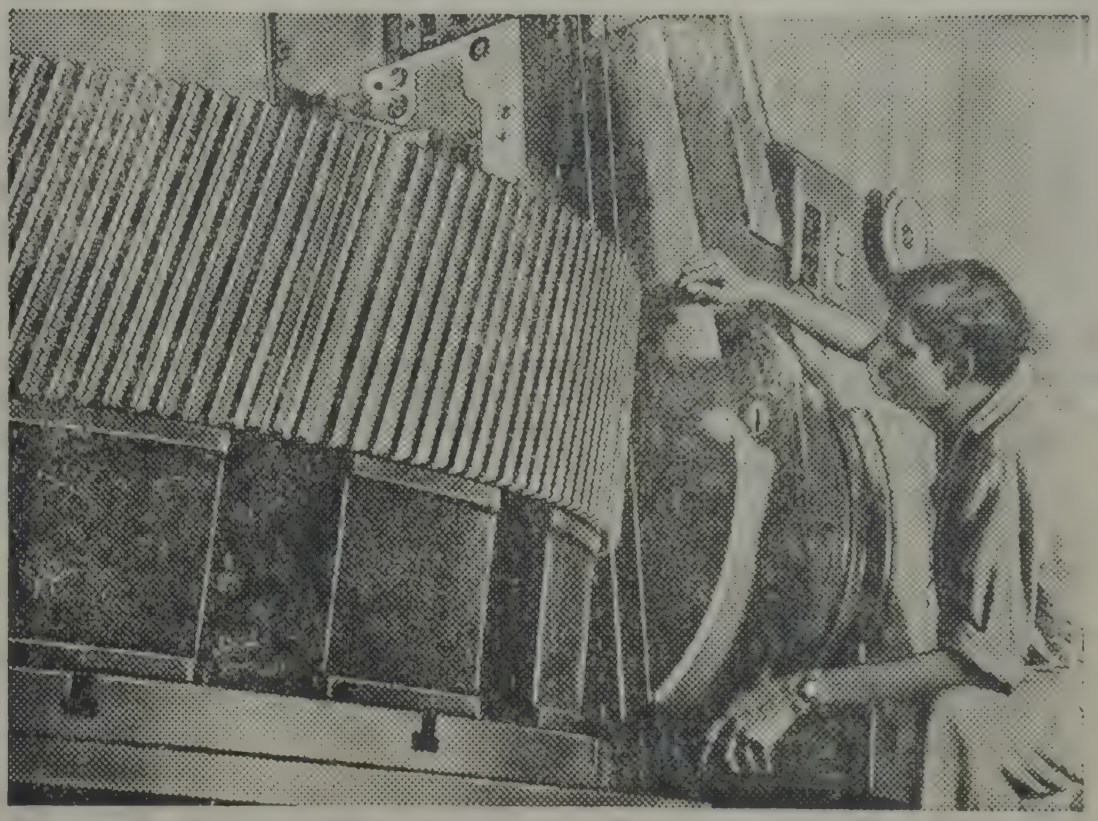
Prof. T. N. Madan
Member-Secretary
ICSSR, IIPA Hostel
Indraprastha Estate
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Prof. A. R. Desai
President
Indian Sociological
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ASSAM

Cudgel of Chauvinism

Hiren Gohain

IT is the function of social science to penetrate the fog of ideology and discern the true shape and sequence of events. The recent disturbances in Assam have once again brought home this lesson to us. The agitation over the presence of so-called 'foreign nationals' has grown into a massive movement, bringing out into the streets hundreds of thousands of ordinary men and women passionately committed to defending Assam from an alleged 'silent invasion' by foreigners, sowing seeds of deep suspicion and mistrust among different communities who have been living as peaceable neighbours for generations, and causing outbreaks of mob violence in which hundreds have lost their lives and thousands have been uprooted from their homes.

In wide areas of northern Kamrup, a populous district, for about a week (January 4 to 10) mobs roamed from village to village, indulging in arson and massacring pitilessly helpless people, unmoved by wails of terrified women and children. The army had to be called in to establish some semblance of law and order and restrain the unruly mobs.

Yet national leaders of the stature of Atal Bihari Vajpayee have, according to press reports, found the movement "on the whole peaceful and democratic". M V Kamath, editor of *The Illustrated Weekly of India*, has written an article called "Neglected Assam" in his magazine where a similar view has been propounded with some show of factuality. It goes without saying that the press in Assam, with one or two exceptions has been painstakingly preparing just such a picture for local and outside consumption. They blacked out sporadic acts of violence, obscured or confused the circumstances in which these took place, and camouflaged the panic and terror among the threatened minority communities as peaceful support to the agitation. Even now it is engaged in covering the terrible atrocities in north Kamrup with phoney stories about the 'reign of terror' created by the army and the CRP.

Few journalists and leaders have visited the affected areas, talked to inmates of the refugee camps or had discussions with spokesmen of the minority communities. It is obvious that they represent a kind of 'rotten compromise' between the all-India ruling class and the Assamese ruling elite, involving connivance at monstrous barbarities and breathtaking mendacity.

There is no denying the fact that over the last few decades there has been an unusual spurt of population growth in Assam, far outstripping the all-India rate of growth. That a good deal of this is due to the continuous immigration from Bangladesh (at one time Pakistan) and Nepal is beyond dispute. But it is yet to be ascertained how much of the growth is due to natural fertility and fall of the death rate, especially among the immigrant Muslims who had come before partition and Independence.

Immigration had been officially encouraged by the British who were anxious to put to some use vast stretches of virgin land in Assam. The Muslim League ministry in the forties tried to increase the population of Muslim voters in Assam by encouraging large-scale colonisation by poor Muslim peasants in government reserve lands. Even after Independence, successive Congress ministries tried to contain the progress of Leftist forces by injecting constituencies with heavy doses of Muslim voters, usually smuggled from across the border.

Apart from lakhs of tea-garden labourers brought by the British tea-planters, the Assamese gentry too have been in the habit of bringing hardy Muslim peasants from across the border to turn thousands of acres of fallow land into smiling and luxuriant fields of jute and paddy. (The independent Assamese peasants were not interested in producing for the market or in intensive cultivation to that extent.)

Besides, in the decades before and after Independence, a steady stream of 'outsiders' from the rest of the country have been coming to meet the growing need for various kinds of skilled labour and professions. Barbers, cobblers, mechanics, technicians carpenters, blacksmiths and petty traders from 'outside' have been plying th trades without serious conflict wi the indigenous people for generation

Since the thirties there have bee instances of Assamese resentment an frustration at the progress of suc cultivators, mechanics and pett traders. Petitions were sent t the Indian National Congress bu were ignored by the national leader Besides, the tempo of the Independenc movement helped sink such petty di ferences. But the fears remained. Ther was, further, the memory of the earl years of British rule when the coloni authorities tried to suppress Assames and replace it with Bengali as th official language.

In the decades after Independenc 'the law of uneven development o capitalism' prevailed to the detrimen of Assam which remained a backwar and underdeveloped state. Neithe agricultural development nor indust rialisation kept pace with the needs o the growing population. Since th sixties unemployment has been acute 77 per cent of the local peasantr found themselves either completel landless or owners of uneconomi holdings. Since planning and develop ment all over the country have bee largely in the interest of monopol capital, there has been no attempt t establish major industries to the poin of burning up every year large quan tities of natural gas.

The situation has thus become ex plosive. Popular discontent and indig nation against 'the Centre' have sim mered long enough and class organi sations and class politics have be come more and more familiar. The lo cal ruling elite and their all-Indi senior partners got a rude jolt whe in the last assembly elections th CPI(M) with a fledgling organisatio bagged 11 seats. An important facto in the success of the CPI(M) was th fact that the erstwhile immigrants now settled for decades and bearin the brunt of the widespread pauperisa tion, no longer voted Congress in pack, but sometimes voted for th CPI(M) and the Left parties.

Naturally, the ruling class started th counter-attack with the only effectiv weapon available to it — chauvinism During the last assembly elections it self, there was propaganda launched b the Assam Jatiyatabadi Dal against th CPI(M) as a 'Bengali' party or as a instrument of 'Bengali expansionism

ie experiment paid off with the de-
at of the strong CPI(M) candidate in
auhati. As the background of the
esent movement one can unhesitat-
gly point to the year-long propaganda
the Assam press — skilfully mixing
news about influx of outsiders
th stories of Bengali trickery, deceit
d treachery. Most of the lurid cri-
es were reported to have been the
ork of such outsiders, and spectacular
aims, mostly unfounded, were made
out the extent and degree of foreign
filtration.

The press campaign began from
out a year before the scheduled
te of the parliamentary election. It
as aided by a highly efficient machi-
ry for spreading rumours and hear-
y, so that inflated and colourful de-
ils of any supposed incident could
avel by word of mouth for miles
ithin a matter of minutes. There were
ticles, letters to the editor, and edi-
rials in hundreds, accusing the Left
rties and intellectuals of callousness
and betrayal of the fate of Assam.
ejoinders and rebuttals from the
sieged leftists were either suppres-
d or given short shrift. News stories
d careful management of the corres-
ondence columns very soon created
atmosphere of terror and intimida-
on. Members of the minority com-
unities were also forced to sign
edges and letters to the editor ex-
essing total support to the cause of
xpelling 'foreigners'.

The anxiety and terror of the mino-
ty communities were aggravated by
ne deliberate confusion about the
xact number of foreigners to be de-
ected and expelled from Assam.
ften the figures given in public meet-
gs and the press were as high as five
illion or seven million, naturally
aking every non-Assamese feel that
e would be on the list of such
liens, however just and strong his
aim might be.

In the meantime, two prestigious
rganisations became involved in the
ovement. The Assam Sahitya Sabha,
'non-political' body looking after
e 'cultural interests' of Assam and
e Assamese joined the leadership of
e movement, so far in the hands of
gional groups like Purbanchaliya
oka Parishad (PLP) and Assam Jati-
tabadi Dal (AJD). Secondly, the All-
ssam Students Union (AASU), a
ofessedly non-political (meaning
on-Left, and sometimes anti-Left) stu-
nts organisation covering all the
hools and colleges in Assam under a
flexible constitution, began to play a leading part.

The phase of statements, letters and public meetings was followed by a more militant and active phase of Satyagraha and picketing. Soon the middle class was deeply involved. By the middle of November, massive popular participation began to be noticed in the towns. The leadership was in the hands of a loosely organised 'Gana Sangram Parishad' with representatives from different political and non-political bodies, though the most effective element in it was unquestionably the All-Assam Students' Union. The left parties were first isolated by a clever manoeuvre, and then made the target of vicious propaganda. Among the national parties too, one could see elements of Janata party (like Ajit Sarma, MP) and the Congress joining the agitation with unbridled enthusiasm.

A facade of non-violence and 'democracy' notwithstanding, the atmosphere was fast deteriorating in November. The 'law and order' situation became extremely unpredictable with the Assam Police and the state administration lending unconcealed support to the movement. The Marwari traders joined in a body and helped to fan the flicker of anti-Left sentiment into a blaze. Violence erupted in eastern Assam towns like Tinsukia and Dibrugarh, where the Bengali minority came under attack. A section of the Bengali population, inspired by their brand of chauvinism, tried in some places to retaliate. The death of a bank officer was the first clear case of violence in the course of the movement to be reported. But the press lost no time in covering up the traces and blaming it on 'anti-social elements' and saboteurs. At this juncture, the RSS elements in the movement tried to divert the tension into anti-Muslim channels and nearly succeeded. The RSS General Secretary, Rajendra Singh, visited Assam and declared that the Hindus from Bangladesh should be allowed to stay on but the Muslims be driven out.

Since the youths in the movement were not given clear instructions as to the procedure for detection and expulsion of foreigners, since there was no strict discipline and control at the local level, and since extremists among the regional groups made a habit of coercive fascist practices, incidents of violence and intimidation were bound to increase. Many thought that the movement was committed to harrying the foreigners out of the 'sacred soil' of Assam. In north Gauhati students participated in a police attack on indigenous tribal peasants falsely given out as 'Bangladeshis'. A river-boat carrying 'Bangladeshis' to the paper-mill at Jogighopa was seized and two helpless members of the Muslim crew were butchered near Goalkuchi on November 10.

The spate of violence was triggered off by the death of an Assamese student leader at Bhawanipur in Kamrup district. The caretaker government at the Centre did little to meet the demands of the movement. By an extraordinary fluke the Janata government at the state capital had fallen some time ago and the new Chief Minister led a ramshackle ministry and feared collapse everyday. This situation certainly encouraged the irresponsible elements and tendencies in the movement. The PLP had come out with a demand that the electoral rolls must be corrected before the elections took place. In many places farces of such 'correction' took place, deleting at a stroke hundreds of names of genuine voters, adding to the confusion. Soon the cry was taken up by the other groups and it was decided to prevent by force the submission of nomination papers by candidates announced by the all-India parties. Such candidates were gheraoed in their houses. The Central government did nothing stronger than announce that candidates wishing to submit nomination papers would be given police protection. Abida Ahmed, widow of the late President, was rescued from such a *gherao* by a convoy of armed police and CRP, which proceeded towards Barpeta. Volunteers of the movement offered resistance at several places on the way and were brutally beaten up by the CRP. In such a confrontation, a student leader lost his life near Barpeta on December 10, and at once he was acclaimed as the martyr of the movement. There was widespread indignation and grief throughout the state, fanned by a press on the alert.

This was the long-awaited trigger that sparked off a series of incidents where members of the leftist organisations and minority communities came under remorseless and brutal attack. Members of the CPI(M) and the SFI were carefully marked out and either killed, injured or kept on the run. Many are yet to return to their homes. Quite a few have been subjected to the public indignity of a forced recantation

of Marxism. We have already indicated at the beginning the enormous extent and ferocity of violence in northern Kamrup. There is no doubt about popular involvement in such cases of destructive violence. There was also a certain degree of planning and co-ordination — as in simultaneous attacks in several places, wrecking of bridges and building of road blocks and use of motorised transport to carry mobs from place to place. It is enough to indicate the fury of the mob that on January 6 in a place near Mukalmua in northern Kamrup a hamlet of sixty houses was entirely wiped out and even women and children were not spared.

In our opinion, such acts were not the result solely of conspiracy by isloated groups of saboteurs or provocateurs. There was popular enthusiasm for and participation in such ghastly acts. But such terrible enthusiasm had been generated by months of inflammatory propaganda in the press. Even the Gauhati centre of All-India Radio added to the intoxication by broadcasting burning patriotic songs and plays — even a talk on Human Rights was turned into a vindication of the rights of the 'neglected Assamese'! Political elements like the RSS also cannot disclaim their responsibility and may even have provided the element of discipline and organisation in these manhunts and massacres. Any impartial review of the press in Assam for the last six months would prove that the contagion of violence and inhumanity was largely spread by the press.

Chauvinism has since Independence been the deadly enemy of all radical and genuinely democratic forces in Assam. The Assamese ruling elite lack both the economic resources and cultural strength to be able to integrate non-Assamese groups into Assamese society. Yet it has not abandoned its dream of national resurgence in a capitalist set up. Hence it uses from time to time the cudgel of chauvinism to beat into submission non-Assamese groups who might resist the domination. Chauvinism is by nature authoritarian and fascist, and an ally of the Indian ruling class as a whole. This is the reason why eminent Indian intellectuals from outside the state have blessed the movement which has been a nightmare to thousands of innocent people. While the tyranny browbeats the non-Assamese working class and inspires the Assamese peasantry with dreams of refurbished 'national' glory, it receives support from Indian big traders and — yes, international capital.

MINISTRY OF INDUSTRY

(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

PUBLIC NOTICE

The office of the Economic Adviser to the Government of India, Ministry of Industry, New Delhi, has in the past been collecting information about employment of non-Indians and Indians engaged in industrial and commercial concerns (foreign as well as Indian) in respect of employees drawing total monthly emoluments of Rs. 2001/- and above as on January 1 of each year.

All Industrial and commercial concerns, viz. Public/Private Limited Companies, co-operative societies and firms, as also any person or body of persons engaged in manufacturing, assembling, packing, preserving or processing of goods, or in mining or in generation or distribution of electricity or any other form of power, or engaged in trade or commerce, including banking, financial corporations, shipping and navigation, and road transport services, brokers dealing in shares, stocks and securities and commodities, advertising consultants and all other concerns working for profit, are hereby requested to furnish the required information as on *1st January, 1980* in the prescribed Foms (I, II and III), given below to the office of the Economic Adviser, Ministry of Industry, Udyog Bhavan, New Delhi-110 011, *before 31st March, 1980.*

Industrial and commercial concerns registered abroad or subsidiaries of foreign majority companies or branches there of are requested to furnish details as per proforma Nos. I and II, even if they are not employing any foreigner on regular or short-term basis. Indian concerns employing foreign national on regular or short-term basis need to furnish summary data in respect of Indians and non-Indians (regular) in Form I and information about foreign employees (regular) only in Form II. Indian concerns not employing any foreigner (either as a regular employee or short-term technician) need not send any return.

Companies having branches at different places in the country should furnish one consolidated return covering all the branches.

Industrial and commercial concerns are also requested to furnish separately in Form III information regarding employment of foreign short-term technicians defined as those who are duly exempted from the payment of income-tax on their remuneration by the Government of India. In case, the information is Nill, it may be indicated in form-III.

FORM-I

1. Name and address of the firm; 2. Nature of business done; 3. Total employment as on 1-1-80: 4. Whether the firm is an Indian Company (i.e. having majority Indian participation in equity capital) or a foreign company registered abroad or a subsidiary of a foreign majority company or branch there of. (Please clearly mention the status. In case, the firm is an Indian Company, please indicate the firm's total equity capital and Indian share therefore); 5. Particulars of regular employees drawing total monthly emoluments of Rs 2,001/- and above. The data should not include short-term technicians referred to in Form III.

Pay group (including allowances etc.)	Persons in Managerial Posts		Persons in Technical Posts	
	Indians	Non-Indians	Indians	Non-Indians
a) Rs. 2,001/- Rs. 3,000/-				
b) Rs. 3.001/- Rs. 5,000/-				
c) Rs. 5,001/- to Rs. 7,000/-				
d) Above Rs. 7,000/-				
e) Total of the above				

FORM-II

Particulars of employees (other than short-term technicians) shown in Form I as on *1-1-1980*

Name of the firm :

Name of employees	Nationality (Country of origin)	Designation or Post held	Date of appointment	Field of Specialisation @ (Managerial or Technical) @ @	Basic pay per mensem (Rs)	Scale of pay, if any (Rs)	Total monthly emoluments (Rs)

@ = Including posts of Accountants and Legal Adviser.
@@ = Including Engineering and Scientific posts.

FORM-III

Particulars of 'foreign short-term technicians' as on *1-1-1980.*
Name of the Firm:

Name of the Technicians	Nationality (Country of origin)	Designation of post held	Field of specialisation	Date of appointment	Total Monthly emoluments. (Rs)

N.B. Foreign short-term technicians are technicians who are duly exempted from the payment of income-tax on their remuneration by the Government of India under a specific permission.

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HAR

Class and Caste in Parasbigha Massacre

A S

in any village, land was at the t of the conflict in Parasbigha in ya district, culminating in the mas- re on the night of February 6. elve people, among them four wo- n and five boys, were either shot d or burnt alive. There was a piece government public land (called *gair zarua aam* in the zamindari days), ich the families of shepherds, davs and harijans had been using pasture. The shepherds and yadavs st needed the pasture; with more d more land coming under the ough, their sheep and cows could pend only on the public land for azing. As for the harijans, in last v years, after securing court decrees, ey had worked hard and made a w acres of the public land fit for ltivation. They had sown and reaped rvests of arhar, masur and kurthi.

The tiny village had one landlord, m Niranjan Singh, who was not an iginal inhabitant. He had migrated om Ankuri village of Pali block in tna district, before Independence d the abolition of zamindaris. It said that the village Parasbigha be- nged to the zamindar of Pandui der the Tekari Raj. Then landless, m Niranjan Singh, after leaving his tive village, was on the lookout for me land to live on and cultivate. He ayed at a relative's for some time at rthua, a village in the vicinity of rasbigha. Somehow he came in ntact with the local patwari, anesh Lal, and the two struck a deal. e patwari gave him a title deed, hich later turned out to be fake, for acres of land at Parasbigha; under e contract, the patwari was to re- ive a sum of Rs 5,000 as price and nually the produce from five acres his share. Niranjan Singh gave the twari his share for some years but e day he beat him up and warned n against making any further claim.

Village land involves many charac- s: there are heroes and villains, eats and grabbers, and judges and gistrates, besides hordes of respon- nts and witnesses. After Ram Niran- n Singh had got rid of the patwari's ims, there entered on the scene the mindar of Pandui with the claim at Ram Niranjan Singh's holding as in fact his. There ensued between the two a tortuous legal battle which took them from the lowest court right upto the Supreme Court. Ultimately, the ownership of the Pandui zamindar was upheld.

The Pandui zamindar was also a Bhumihar like Ram Niranjan Singh. Nevertheless, he could not dispossess the latter even after a judgment from the Supereme Court in his own favour. For, by now, Ram Niranjan Singh had a private army and the social support of his castemen living in the neighbouring villages. He did not stop at grabbing the land; he started monopolising all the rescources flowing under the 'development or welfare programmes'. The government installed a tubewell; he would not allow the backward caste peasants to draw water from it. Moreover, he continued to seize other plots of land. At one time a landless person, Ram Niranjan Singh now made himself owner of 50 acres. Finally, in August last year, he declared that the village pasture too belonged to him. Driven to the wall, the shepherds, the yadavs and the harijans offered mass resistance. Ram Niranjan Singh mobilised his thugs to raid and loot their houses and to destroy the standing arhar crop in the harijans' plots. Then, on October 30, 1979, somebody beheaded him when he was out in the fields.

Members of Ram Niranjan Singh's family mentioned in their FIR 13 peasants of the village as the accused. All these peasants were charge-sheeted but are presently on bail. Ram Niranjan Singh's son, Madan Singh, is an employee of the State Intelligence Bureau. It is Madan Singh — presently on the security staff of a Bihar cabinet minister — who now stands as the main accused in the Parasbigha massacre of February 6. It is alleged that after being assured of administrative patronage and political support, he sought to avenge his father's murder by organising Ram Niranjan Singh's old comrades and castemen from the neighouring villages. The surviving victims were able to recognise among the mob of murderers who swooped on them at midnight of February 6 many Bhumihars living nearby. The attackers set fire to almost all the houses, by pouring kerosene over the roofs of reed and thatch after bolting the doors from outside. Those who managed to flee out of the burning huts were shot down.

The retaliatory attacks by the backwards castes, which followed the massacre, point to the caste conflict that is bound to grow, pushing the real issues of economic exploitation and social oppression into the background. The basic conflict is between classes, but the fight becomes one between castes. This has happened elsewhere; it has happened even in the Jehanabad area which includes Parasbigha (see 'Minimum Wages Remain on Paper', *EPW*, December 25, 1976).

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MACMILLAN

Judgment in Special Court No 2

A G Noorani

THE recent judgment of Justice M L Jain in the Special Court No 2 is as surprising as it is disturbing in its implications. The Court was seized of two cases against Indira Gandhi and others. One related to the arrest and imprisonment of Bhimsen Sachar (now dead) and seven others who had written to Indira Gandhi protesting against the imposition of Emergency. The other pertained to the alleged harassment of four officials detailed to collect information for a question in Parliament regarding the Maruti car project of Sanjay Gandhi. The learned Judge ruled that "the creation and establishment of this court and the declarations and designations to try the said cases were not made in accordance with the provisions of the Constitution and are, therefore, of no effect and confer no jurisdiction on this Court".

It is a fundamental principle of jurisprudence that a tribunal cannot inquire into the legality of its own establishment. "He was employed to administer the Act and he had to take the Act as he found it." These remarks of Chief Justice Derbyshire have been approved by the Supreme Court. It matters little that Justice Jain has not pronounced the Act *ultra vires* but has found the orders establishing his Court defective. The principle in each case is the same and so is the result — nullification of the assignment. A tribunal cannot inquire into the validity of its own creation. It can be challenged in other proceedings — for example, by a writ petition; it cannot be questioned by the tribunal itself. In the present case the Supreme Court had upheld the constitutional validity of the Bill which sought to establish the Special Courts. Justice Jain, however, holds that the establishment of the courts by the Government of India under the Special Courts Act, 1979 is invalid because the ministries of Home and Law which purported to exercise the powers under the Act were not specifically allocated these functions under the Rules of Business. The powers of the Government itself under the statute are not questioned. What is suggested is that in the absence of the allocation to the ministries the matter should have gone back not only to the Council of Ministers but also that "it would have to be submitted to the President for his approval". This is a proposition in direct contradiction to the fundamentals of our parliamentary system as enunciated by the Supreme Court and cannot but cause disquiet.

The facts are few and simple. The notifications establishing the Special Courts under the Act for the two cases were issued by the Ministry of Law, Justice and Company Affairs on May 30, 1979. Thereafter it was the Home Ministry which made the requisite declaration, under Section 5 of the Act, that the offences "ought to be dealt with under the Act" and also designated Special Court No 2 to try the cases.

Precisely such an allocation of functions between the Law and the Home ministries under the Special Courts Act was made by an amendment in the Rules of Business in September 1979. But there was no such allocation to these ministries earlier when they took the respective steps under the Act — the Law Ministry constituting the Special Court and the Home Ministry making the formal declaration and designating Special Court No 2 for trial. It is not alleged that while doing so these ministries violated any existing rules. The Government of India simply omitted to prescribe till September 1979 which of its departments was to exercise powers under the new law. The learned Judge's finding that the existing rules did not cover the Act is, with respect, correct. Where he errs is in holding that the exercise of statutory powers by a government is invalid merely because it omitted to formulate its internal Rules of Business and though no prejudice whatever is caused to anybody by such an omission.

Article 77 of the Constitution prescribes the manner for the conduct of business of the Government of India:

(1) All executive action of the Government of India shall be expressed to be taken in the name of the President.

(2) Orders and other instruments made and executed in the name of the President shall be authenticated in such manner as may be specified in rules to be made by the President, and the validity of an order or instrument which is so authenticated shall not be called in question on the ground that it is not an order or instrument made or executed by the President.

(3) The President shall make rules for the more convenient transaction of the business of the Government of India, and the allocation among Min of the said business.

Ironically, the 42nd Amendment added a clause debarring the c from requiring the production o Rules of Business but it was de by the 44th Amendment last ye

It is well settled by the Sup Court, as Justice Jain notes, Clause (1) of Article 77 "is direc and not imperative in its charac An order not expressed formall be made in the name of the Presi would not be invalid. Further, requirements of Clause (2) are directory." Therefore, an order properly authenticated in the nam the President will not be inv either. Only it would lose the sumption of validity which a prop authenticated order acquires u Clause (2). But the Judge holds Cl (3) to be not directory but manda though the language of the clause self suggests that the rules are m "for the more convenient transact of government's business and for "allocation among Ministries of said business".

What happens in a case like present one if no allocation of b ness under a new statute is m between the concerned ministries? the exercise of the power itself v ted?

The learned Judge's discussion this crucial question is wholly e neous. "If there is no allocation, t the matter has to be dealt with by Council of Ministers, but it wo have to be submitted to the Presid for his approval which he has ev tually to accord, because the exe tive authority of the Union emana to the Council of Ministers from President and if he has not alloca the matter to any Minister or to Cabinet, then the matter has to approved by the President himself. these cases, the matter did not go yond the level of the Minister.

If in these cases the matter was cided at the "level of the Minist the absence of allocation is material. What is material is whet the requisite orders were prop authenticated. That is not der at all indeed. Council for Union of India had specifi pointed out that the notification c stituting the Court and the notif tions containing the impugned de rations and the designation hav been authenticated in the man specified in the Authentication (

rs and Other Instruments) Rules, 58, the Court was precluded from lling in question the validity of the id notifications. The effect of pro- r authentication is clearly mention- in Article 77(2): "the validity of order of instrument which is so thenticated shall not be called in uestion on the ground that it is not order or instrument made or execu- d by the President."

If a properly authenticated order ust be deemed in law to have been ade by the President himself, there no reason for its reference to the ouncil of Ministers or to the Presi- nt, as Justice Jain suggests. The ct that the President has "not allo- ted the matter to any Minister" ıder the Rules of Business becomes ımaterial in the face of an order of e President himself. Tersely put, mpliance with Clause (2) of Article through proper authentication res the defect of non-compliance th Clause (1) as well as non-com- iance with Clause (3) of not making appropriate allocation.

The Supreme Court has variously aracterised the consequences which ow from proper authentication — n immunity to the order that it nnot be challenged" on the ground at it was not made by the Head of ate, or an "irrebuttable presump- n" that the order is made by him.

Justice Jain does refer to Article (2) but adds to it other terms be- les those it contains about proper thentication: "If the Act is (a) of person to whom the business had en allocated under the Business ules; (b) transacted in accordance th the Rules and (c) has been thenticated in the manner specified the Rules, then it acquires an im- unity and an irrebuttable presump- n is raised that the order or in- ument is made or executed by the esident." A bare reading of Clause) would show that the Judge's con- tions (a) and (b) are not warranted it.

The most disturbing, though largely erlooked, aspect of the judgment is finding that in the absence of cific allocation "the matter has to approved by the President him- f". In 1974 a Special Bench of the preme Court, in the famous Sam- r Singh's case, ruled that "the Pre- ent cannot exercise executive powers thout the aid and advice of the uncil of Ministers with the Presi- dent at the head. In that context, Articles 77 (3) and 78 have full operation for duties of the Prime Minister and allocation of business among Ministers". The allocation, the Court pointed out, is done by the President on the advice of Ministers; in effect, by the Prime Minister whose role is constitutionally recognised (Articles 74 and 75) but overlooked in the judgment.

A President aggrieved by a decision made without proper consideration or allocation, can under Article 78, ask the Prime Minister to submit it to the entire Council of Ministers for its consideration. He can do no more — least of all require the matter to be "approved" by himself. To permit him to do so would result in "bringing dyarchy by a side wind" as Justice Krishna Iyer put it.

Yet, this would be the clear legal effect of Justice Jain's judgment. A construction which leads to such a result must be avoided. So also, one which defeats the very purpose of a statute — the speedy trial of offences under the Special Courts Act, 1979. The Judge arrives at these unfortunate results by a reasoning which is hypertechnical and in glaring conflict with the constitutional text — Article 77 (2) — as well as the well-settled interpretation of the Constitution. It would be most unfortunate if such a judgment were to remain as the last judicial pronouncement on the subject.

WOMEN

With Such Friends...

IN early November 1979, New Delhi hosted the ESCAP-sponsored conference on women, in preparation for the World Conference of the United Nations Decade for Women, to be held in Copenhagen in July 1980. Nearly 200 delegates and observers from 26 countries in the ESCAP region attended the conference. Among other countries, there were delegations from Iran, US, USSR, China, Viet Nam and Kampuchea. The stated objectives of the conference were to (a) review and appraise the progress made in attaining the objectives of the UN Decade for Women, namely, equality, development and peace; and (b) determine the short-range strategies and long-term plans for solving problems affecting women in ESCAP countries.

The conference was hosted by the Government of India and was held in the magnificent surroundings of Parliament House annexe. Everything seemed stylised, including the inaugural address of President Sanjiva Reddy. Referring to the historic role of women in India's nationalist movement, Reddy called for strategies of development that would bring about increased participation of women in all economic, social and political activities. What was conspicuously missing from the speech was any reference to the reality of the unequal position of women in India.

With the exception of the US, all the delegations presented country papers which dealt with their respective governments' efforts towards sexual equality and eliminating discrimination against women in the first half of the UN Decade for Women. Discussions centred on the constitutional and legislative measures taken by the various governments and it seemed that everything was fine in the countries represented at the conference. Women had been given equality by a stroke of legislation and the goal of integrating women in the development process seemed to have been achieved. It was difficult to understand what then was the problem of women's status and position in these countries. Had the delegations assembled merely to laud the achievements of their national governments in working for the welfare of women? Some of the observers (who did not represent any governments) felt uneasy and agitated, but in their strictly defined role of 'observers' they were not permitted by the ESCAP bureaucracy to raise any issues or ask questions. Obviously, there was no room for any stirrings or disquiet at this august meeting.

Following the presentation of the country papers, the conference decided to convene four workshops in which a great deal of time and energy were spent in discussing the general and well recognised problems related to women's role in development. Only passing attention was paid to specific strategies for overcoming women's neglect in policies and programmes of development. It was repeatedly em-

phasised, however, that the work of women in the home should be recognised as an economic contribution. Governments and non-governmental agencies were urged to make special efforts to train a cadre of mobilisers and 'specialised intermediaries' to assist poor working women to organise for collective strength, to obtain access to all types of developmental assistance and to articulate their needs before the planners and policy-makers. Equality was defined as access to resources and power, including power to participate effectively in the process of allocation of resources and other decision-making at all levels of society.

Curiously enough, the valedictory address was by Mother Teresa who extolled women's role as that of "giving, loving until it hurts". She pleaded with the delegates that "it is for the women to spread compassion. We have been created to love and be loved. We are not meant to do big things". Her prayer to the conference was that every family should stay together — it did not matter how oppressive the family might be for women. The Nobel Peace Prize winner did not say anything about a society where the 'poor sisters' might conceivably become 'equal sisters'.

Was it all a service or disservice to the cause of women?

INDUSTRY

Machine Tools at Cross Roads

THE machine tool industry seems to have made great strides over the last four decades. However, today it faces technological obsolence and finds itself unequal to the tasks of the future, notwithstanding its increasing output and widening product range.

Between 1971 and 1978, for instance, output of machine tools increased from Rs 50.25 crores to Rs 121.05 crores — by over 140 per cent. There were only marginal setbacks in 1972 and 1977. The share of domestic production to consumption reached around 80 per cent by 1978, from around 73 per cent in 1971. Export earnings of the industry rose from just Rs 3.05 crores in 1971 to Rs 20 crores in 1978.

The rising trends in production and exports were maintained in 1979. Production data for the whole of 1979 are not yet available, but output during January-September aggregated Rs 115 crores and the industry is hopeful that, for the year as a whole, it would be not less than Rs 140 crores — against the target of Rs 135 crores. On the basis of the April-September export figures at Rs 11.57 crores, machine tool exports too in the current financial year are likely to cross the target of Rs 21 crores for the year.

This performance, of course, looks less impressive when allowance is made for inflation. Besides, our annual imports of machine tools have been far higher than the foreign exchange earned by our exports. In 1971, exports were Rs 3.05 crores, whereas imports were Rs 21.50 crores. The import bill rose to Rs 30 crores in 1974, though exports in that year were hardly Rs 7.50 crores. Because of the government's policy of liberalised imports, in 1978 machine tools worth Rs 40 crores were imported into the country and exports lagged behind imports by as much as Rs 18.50 crores.

Fast advancements in technology the world over make it well-nigh impossible for a country — especially a developing one — to attain complete self-sufficiency in this field. Machine tools, which are required for very special purposes and which are not economical to manufacture indigenously, have to be imported. But even these considerations do not justify the volume of our present imports, especially considering industry's large unutilised capacity at home.

The installed capacity for major machine tool items in the country is estimated at around 11,300 pieces, valued at Rs 135 crores. The capacity utilisation of these units is estimated to be around 73 per cent. This capacity utilisation, however, refers mostly to units in the organised sector. There are hundreds of small-scale and tiny units in this industry; and their capacity utilisation is much lower.

The machine tool industry is the first victim of even a small setback among its major end-users, such as the engineering and automobile industries. In view of the sharp decline, of late, in the production of engineering goods in the country, doubts are already being expressed about the machine tool industry's production prospects. For this reason, higher exports as the needed cushion is now being suggested as the stock alternative.

Indian machine tool exports were only 0.3 per cent of the total world exports worth $6,322 million in 1977. Although hundreds of units are engaged in this industry, most of them are ill-equipped to produce goods of international quality standards. This naturally leaves only a handful of the existing units to cater to export markets. On account of the multiplicity of types and sizes, an individual unit is neither licensed to nor capable of producing all machine tools. A unit specialises in only a few of the whole range. This restricts the range of machine tools available in India for an importer from abroad. The plant and machinery of even the comparatively better equipped Indian units are far below the standards of their counterparts abroad. This not only results in comparatively inferior products but also increases the cost of production, which in turn makes our products less competitive. An importer of different items of machine tools naturally goes to other countries where his entire requirement is met by one or two units and that in a shorter period of time.

International exhibitions are often platforms for marketing a country's products and boosting its exports. Here our approach is often luke-warm. In the recently held European Machine Tool Exhibition in Milan, which was the largest machine tool exhibition to be held so far in the world attracting participation from over 1,700 exhibitors from 30 countries and over two lakh visitors, only a single Indian firm participated. From China, by contrast, there were as many as 16 firms.

One of the constraints faced by the industry for quite some time is the non-availability as well as poor availability of materials required for most of the precision machine tool components. Shortage of metals for castings, which form the base for bigger machine tools such as lathes, automatics, etc, is a particular problem faced by the industry. There is a view that more intensive research and development efforts would help identify metal substitutes. But the industry's efforts towards research are predictably half-hearted. At present the industry spends hardly one per cent of the turnover on research and development.

A Working Group on machine tools has estimated the capacity requirement at Rs 270 crores by the end of 1983-84. At present total capacity is around Rs 180 crores. The additional investment, required for raising the capacity by Rs 110 crores by 1983-84, is estimated at around Rs 100 crores.

On the other hand, over the last decade there has been hardly any new entrant in this industry. This is because the market for superior quality machine tools has become highly competitive consequent to the rapid technological development in the West and the influx of those goods into our markets. This has increased the risk on capital employed and lowered profit margins. The additional capacity estimated by the Development Council is thus unlikely to materialise.

Capacity and production can be increased through expansion of some of the existing units. But this may not be sufficient to cover future demand. If the small-scale and tiny units in the industry are geared to produce better quality tools, however, a substantial portion of the future demand could be met.

Most of the units in the organised sector have foreign collaboration. These units have also reaped the fruits of research and development work by the central institutions such as the Central Machine Tool Institute (CMTI), Bangalore. The small-scale units, on the other hand, lack resources for even a modicum of development in these areas and hence depend on designs and methods which are at least 30 years old. So far hardly any effort is made to update the technology or improve production methods of these units, though there are several government agencies entrusted with this job. Undoubtedly, timely help to these units through the supply of latest designs and methods, which the CMTI can easily provide, would enable them to produce simpler machine tools of technological competence equivalent to those made by the organised sector. Without this, the industry as a whole may not be able to raise overall production of quality machine tools to meet the future demand.

OECD Economic Outlook, 1980

Janina Gomes

THE GNP of the OECD countries might grow by 1 per cent in 1980 if there is no further rise in the real price of oil. But a serious recession in the area on the scale of 1974-75, after oil prices were quadrupled in 1973, is unlikely. There was a high degree of synchronisation of demand growth across countries then, with most OECD economies simultaneously reaching the end of a boom. This time there is a degree of de-synchronisation. Demand in the US has weakened, but in Japan and West Germany there is considerable buoyancy. Many other countries appear to be in an intermediate cyclical position. The chances of simultaneous weakening in the majority of the countries thus seems smaller. Because of the OECD area's higher nominal income, the magnitude of the oil shock this time is only about two-thirds as severe as in 1973, though the net oil import bill has now increased by a larger amount than in 1973-74. Crude oil prices increased by 60 per cent in the first half of 1979.

According to the "OECD: Economic Outlook" (the bi-annual assessment of economic trends and prospects in OECD countries) released a few weeks ago, US GNP could fall at a 2.5 to 3 per cent rate in the first half of 1980, but level off in the second. GNP in Japan may rise by 4.5 per cent. Growth in France, Germany and Italy may slow down to around 1.5 per cent, while a 2 per cent fall in the UK's GNP is forecast.

Developments in the oil market, however, still remain uncertain. The course of inflation, unemployment and growth will be critically dependent on developments in the oil market. At present, the OECD area is highly vulnerable to even small disruptions in oil supply, not so much because of the likely physical effects on production, but because of the deflationary effects stemming from increased OPEC surpluses, the inflationary effects stemming from higher oil prices and the ripple effects that these produce throughout the world economy.

Monetary and fiscal policies have been tightened over recent months. Interest rates have increased substantially, influenced by the desire to control domestic inflationary pressures and in some cases to protect exchange rates. West Germany and the UK raised interest rates earlier in the year to restrain rapid increases in money supply and to limit the impact of higher import costs on wages. In the US, a successively tighter monetary policy was adopted in response to accelerating inflation and pressure on the dollar accompanied by sharp speculative increases in the prices of precious metals.

Growth of orders has decelerated in the US and flattened out or given way to declines elsewhere, except in Japan and West Germany. Demand would have been weaker but for strong support from outside the OECD area. Exports of goods to the non-OECD area which apparently fell in the first half of 1979, may have been growing at an annual rate of around 17 per cent in the second half.

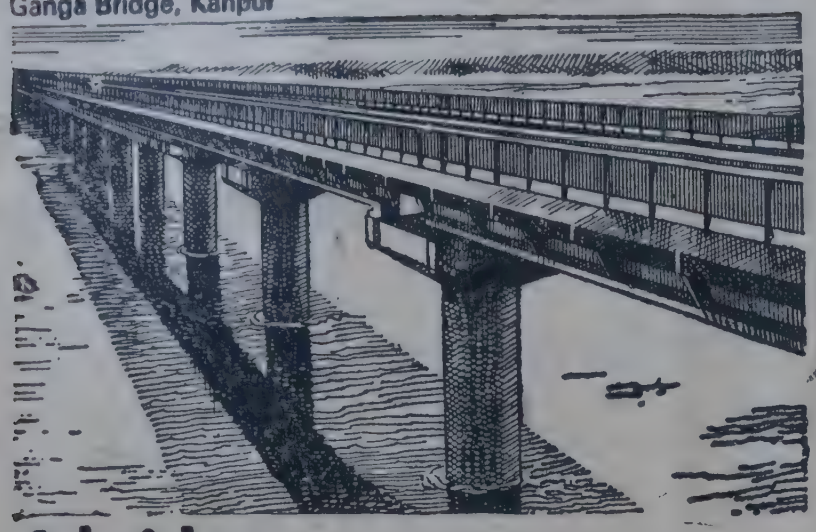
Some unintended stockbuilding may have taken place in the US, West Germany, the UK and Canada. The process of stock adjustment that appears to have begun in the second half of 1979 in most countries, may continue through 1980, depressing activity and then employment. OECD export growth may thus decelerate in 1980 because of sluggish domestic demand and stockbuilding. Private consumption, however, grew rapidly in most countries in the first half of 1979 reflecting strong real income growth. In the second half, consumption growth is expected to have been halved, as oil and commodity price increases fed through into domestic prices, depressing real incomes.

Private non-residential investment which was high in the major countries as a group between 1977 and 1979 will probably weaken progressively throughout 1980 because of higher interest rates, tighter credit conditions, a cyclical. Squeeze on profits and a probable deterioration of business confidence. Residential investment also declined at an annual rate of over 6 per cent in the first half of 1979, for the major countries as a group. A further decline is expected in 1980.

Commodity prices have risen by about 15 per cent in 1979 and consumer prices in the OECD area are rising at an annual rate of close to 13 per cent. Higher commodity and oil prices moved the OECD area's current balance into deficit early in 1979. With the additional increases in oil prices at mid-year, the area's current deficit was running at close to an annual rate of $ 50 billion in the second half of 1979.

International payments and foreign exchange markets, which had been considerably unsettled since early summer, however, improved significantly after the first realignment of parities within the European monetary system in September and the US monetary measures in early October. Subsequently, the dollar did come under renewed pressure due to developments in Iran. But the dollar has been moving mainly in terms of only a few strong continental currencies and in effective terms its variations have been fairly small.

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REVIEW OF MANAGEMENT

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Not for the Weak

WITHIN the existing political and economic framework, fiscal concessions, subsidies in various forms, and increasing reliance on the free play of market forces, appear to be the only remedies available against industrial stagnation. And as each successive experience exposes the ineffectiveness of the remedies, there is no recourse except to go in for even more incentives, concessions, and subsidies.

A case in point is the soft loan scheme for modernisation operated by the term-financing institutions. What was initially conceived as a life-saving operation for 'sick' units on the verge of collapse has now been extended to all units in specified industries. According to the annual report of the Industrial Development Bank of India (IDBI) for 1978-79, of the 235 units which had been sanctioned soft loan assistance upto the end of June 1979, as many as 95 were 'better-off' units. Another 63 units were 'not-so-weak'. Thus, over two-thirds of the beneficiaries of a scheme intended to resuscitate weak units have turned out to belong to the relatively well-off category. The amount of soft loans sanctioned to these units is even more impressive. It was Rs 196 crores, or 52 per cent of total sanctions of Rs 373 crores upto the end of June 1979. A further Rs 83 crores, or 22 per cent, were obtained by the not-so-weak units. These two categories, for whom the scheme had not been originally intended, thus appropriated as much as Rs 279 crores or 75 per cent out of the total. On the other hand, the really weak units got only Rs 95 crores, or one-fourth of the total.

The significance of this subversion becomes clearer if account is taken of the many concessional terms and conditions which, apart from the low rate of interest, attach to soft loans. As the IDBI's annual report for 1977-78 pointed out, "As compared to normal term loan assistance from the institutions, loans under the soft loan scheme are extended on concessional terms not only in regard to the rate of interest but also promoters' contribution, debt-equity ratio, initial moratorium and repayment period. In pursuance of the decision taken by the Government of India in November 1977, loans under this scheme have also been exempted from the convertibility stipulation." No wonder there has been so much pressure for enlarging the coverage of the scheme. In fact, assistance under the scheme is now available not only for replacement of equipment but also for installation of so-called balancing equipment, which is a familiar euphemism for expansion of capacity through installation of additional equipment.

How the soft loan scheme has been used to lower the average cost of term finance for units doing perfectly well will be evident from the following. According to the IDBI's annual report, in 1978-79 the better-off units were sanctioned as much as Rs 63 crores for their total of Rs 196 crores at the lowest interest rate of 7.5 per cent and another Rs 21 crores at 9.50 per cent, together making Rs 84 crores, or 43 per cent, at concessional rates of interest. In the case of the not-so-weak units, Rs 39 crores were sanctioned at 7.5 per cent and Rs 9 crores at 9.50 per cent, the two together making as much as 58 per cent of the total assistance to these units.

A sophisticated defence of the generalised application of the soft loan scheme may run in terms of the inadequacy of normal depreciation provision on the basis of historical cost, because of the rise in cost of machinery and equipment. However, the permitted rates of depreciation (generally 10 per cent for plant and machinery, for instance) grossly underestimate the actual life of the concerned assets. As a result, the full cost of, say, plant and machinery is available to the company well before the machinery is actually in need of replacement, in the form of what is in effect an interest-free loan. At an average rate of interest of only 10 per cent, the depreciation allowance thus provided doubles itself every seven years or so.

Further, apart from the normal depreciation allowance, a number of other fiscal concessions are given to companies, such as (i) extra shift allowance at about 50 per cent of the normal depreciation when the plant and machinery is worked double-shift, (ii) investment allowance at 25 per cent of the cost of plant and machinery (in replacement of the earlier development rebate and initial depreciation allowance), (iii) higher rate of investment allowance for promoting scientific and technological self-reliance, (iv) export markets development allowance, (v) deduction of expenditure on scientific research, etc. All told, therefore, the attempted justification, on grounds of inadequacy of the existing provision for depreciation, for extending the soft loan scheme to cover normal replacement and modernisation, as is now being done by the term-financing institutions, is far from convincing.

Financial Practices in Indian Corporate Sector

Inter-Group and Inter-Size Differences

Sudhakar Adve

This paper examines the financial behaviour and practices of different segments of the Indian private corporate sector with a view to bringing out the differences between (i) public and private limited companies; (ii) medium and large and small companies; (iii) Indian companies and foreign companies; and (v) companies in different industrial categories.

IN studies on the financial behaviour and practices of the Indian private corporate sector, attempts are generally made to present an aggregative picture for the sector as a whole. Obviously, such studies hide vast differences that exist as between different groups of companies, different sizes and different industries. For instance, the nature of dependence on borrowed capital is likely to be different as between public limited companies in the private sector and the private limited companies, or as between domestic companies and foreign-controlled companies, or as between large and small companies. These differences could also hold for their sources of borrowings, which in turn have implications for the cost of borrowed funds. A relatively larger dependence on borrowings from commercial banks than on public sector term-financing institutions implies a correspondingly higher incidence of interest cost. The only exception here could be those export-oriented companies (or company groups, such as erstwhile branches of foreign companies) which get sizeable export finance — both pre-shipment and post-shipment — from the commercial banks at considerably lower rates of interest.

The differences as between public and private limited companies could be partly explained by the differences in the nature of their operations but partly due to their size differences, for private limited companies are generally of smaller size than public limited companies. Size differences (say, small, medium and large) within public or private limited companies should have implications for the differences in their sizes of borrowings. The large public limited companies, for instance, may enjoy relatively larger benefits of development rebate or investment allowance reserves and also normal depreciation reserves, all of which improve cash flow, thus correspondingly reducing the need for borrowings. Such large public limited companies which embark on new projects or expansion of existing projects or renovation do get larger amounts of loans from public sector financial institutions, whereas smaller companies have to depend on banks on a larger scale than the bigger ones or tap non-institutional sources.

It is also possible that the erstwhile branches of foreign companies (now converted into some form of rupee companies under the Indianisation scheme) and the foreign-controlled rupee companies operate, as it is, in high-profit enclaves of Indian industry and hence their dependence on borrowed capital is minimal. Finally, there has been concern that such foreign companies as well as the bigger domestic companies have been relying on trade credit to the detriment of the smaller companies.

The objective of this paper is to examine these and many other aspects of financial practices of the private corporate sector in India and bring out the differences that exist as between (i) public and private limited companies; (ii) medium and large and small companies; (iii) domestic companies and foreign companies; and (iv) companies in different industrial categories.

The major sources of data for this study are two : (a) the company finances studies of the Reserve Bank of India for all of the above sets of companies; and (b) the sample of ICICI-assisted public and private limited companies which represents the emerging corporate sector consisting of new companies and companies with new product lines.

Growing Dependence on Borrowings

As is widely known, a noteworthy aspect of financial management in the Indian corporate sector has been the rising dependence on borrowed capital in relation to the total capital employed. This is what has come to be termed as the gearing ratio, that is, the ratio of total borrowings to total capital employed (the latter consisting of net worth plus total borrowings; it does not include (i) provisions, (ii) trade dues and other current liabilities, and (iii) miscellaneous non-current liabilities).

Table 1 presents the proportions of (a) total borrowings to total capital employed, and (b) bank borrowings as percentage of total borrowings. As may be observed therefrom, in respect of every group of companies, there has been almost a steady increase in dependence on borrowed capital. In the early fifties, the RBI's sample of medium and large public limited companies depended on borrowed capital to the extent of about 25 per cent; by early seventies, it had risen to one-half which is the present level. The medium and large private limited companies have always depended on borrowed capital to a larger extent than the medium and large public limited companies; now their proportion works out to 56 to 57 per cent as compared with a little over 40 per cent in the mid-fifties. Similarly, increases in the borrowings ratios have taken place in small public limited and small private limited companies also, but the increases with respect to branches of foreign companies and foreign-controlled rupee companies have been considerably less, that is, from about 18 per cent in the mid-fifties to nearly 30 per cent in the early seventies in respect of the former and from 26 per cent to over 40 per cent in respect of the latter.

Differences in Borrowing Ratios

The small-size companies have higher proportions of borrowings than big and medium-size companies. While small public limited companies now have nearly 60 per cent of their total capital employed as borrowings, for small private limited companies the proportion is over 72 per cent.

At the other extreme, the RBI's sample of large public limited companies can make do with a lower proportion of borrowings, i e, a little over 45 per cent as compared with below 50 per cent by the medium and large public limited companies. The emerging corporate sector, represented by the ICICI samples of public and private limited companies, is a mixture of medium and large and small companies; their ratios are comparable with those for the corresponding RBI

TABLE 1 : TOTAL BORROWINGS AS PERCENTAGE OF TOTAL CAPITAL EMPLOYED AND BANK BORROWINGS AS PERCENTAGE OF TOTAL BORROWINGS

(Percentages)

Year	Medium and Large Public Ltd Cos		Medium and Large Private Ltd Cos		Large Public Ltd Cos		Small Public Ltd Cos		Small Private Ltd Cost		Branches of Foreign Companies		Foreign-Controlled Rupee Cos		ICICI Sample			
															Public Limited Companies		Private Limited Companies	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1950-51	25.64	47.72	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1951-52	27.20	52.58	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1960-61	37.48	51.28	45.66	54.34	—	—	46.41	38.62	—	—	19.74	71.49	28.17	45.29	—	—	—	—
1961-62	38.41	53.52	45.29	57.93	—	—	47.03	42.41	—	—	19.07	69.26	27.49	44.88	—	—	—	—
1965-66	43.85	54.87	50.51	58.97	41.91	50.16	49.40	46.56	60.39	31.44	20.75	84.00	37.90	56.47	—	—	—	—
1966-67	47.32	52.58	50.96	59.75	46.10	47.93	49.08	47.13	60.59	31.87	18.99	82.01	42.10	57.93	—	—	—	—
1970-71	49.68	52.58	57.05	58.16	47.45	46.37	54.48	45.29	64.73	41.58	29.89	71.33	42.69	55.46	—	—	—	—
1971-72	49.20	52.95	58.15	57.11	46.73	47.00	56.27	45.85	66.97	43.97	29.07	73.30	41.46	57.55	50.87	46.47	55.08	63.56
1972-73	47.78	50.72	55.88	57.36	45.75	44.11	57.15	47.05	71.16	44.51	29.43	72.13	33.71	51.56	49.68	44.87	55.25	67.17
1974-75	47.43	54.64	56.31	64.59	45.98	49.75	57.20	53.30	72.87	47.11	—	—	—	—	48.38	49.39	—	—
1975-76	49.27	55.27	56.92	64.89	48.55	50.33	54.01	55.55	72.95	48.93	—	—	—	—	49.64	52.48	—	—
1975-76	—	—	—	—	44.13	49.89	—	—	—	—	—	—	—	—	49.64	52.48	—	—
1976-77	—	—	—	—	44.68	49.95	—	—	—	—	—	—	—	—	50.45	53.15	—	—
1977-78	—	—	—	—	45.18	48.76	—	—	—	—	—	—	—	—	50.49	51.18	—	—

Note : a = Borrowings as per cent of total capital employed.
b = Bank borrowings as per cent of total borrowings.

Sources : Columns (1) to (15) based on RBI data and (16) to (19) on ICICI data.

Even her mother forgets how she has changed



Those who are nearest are often the last to notice the change—because they see her every day. But she minds it when they do not treat her as a different person. So sometimes she has to tell them how she has changed.

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HINDUSTAN LEVER LIMITED
A changing organisation

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ABLE 2 : SOURCEWISE DISTRIBUTION OF TERM BORROWINGS OF PUBLIC AND PRIVATE LIMITED COMPANIES

(*Rupees crores*)

erm orrowings om	Medium and Large Public Limited Companies				Medium and Large Private Limited Companies			
	1965-66	1966-67	1974-75	1975-76	1965-66	1966-67	1974-75	1975-76
anks	48.20 (9.5)	49.12 (7.4)	141.64 (9.6)	116.28 (7.1)	9.16 (44.3)	8.80 (38.1)	24.28 (24.5)	32.75 (32.0)
nstitutional agencies	241.15 (47.4)	362.12 (54.4)	485.03 (32.8)	509.96 (31.3)	6.00 (29.3)	7.97 (34.5)	20.92 (21.1)	13.25 (13.0)
overnment/ semi-government	66.27	70.26	98.84	138.07	1.64	1.26	9.26	9.74
thers (public eposits, debentures, etc)	153.16 (30.1)	183.70 (27.6)	751.77 (50.9)	865.26 (53.1)	3.65 (17.9)	5.05 (21.9)	44.53 (45.0)	46.70 (45.7)
otal term orrowings	509.08	665.2	1477.28	1629.57	20.45	23.09	98.99	102.24

Note : Figures in brackets represent percentages to respective year's total term borrowings.

nples.

It is obvious that the reliance of reign companies on borrowed capital significantly lower than that of any the domestic companies and with- the foreign sector, the proportion lower in respect of the erstwhile anches of foreign companies than r the foreign-controlled rupee com- nies. While the branches borrow a tle less than 30 per cent of their pital needs, foreign-controlled rupee mpanies borrow a little over 40 per nt. In the mid-fifties, the corres- nding proportions were about 18 per nt and 25 per cent.

But, as emphasised earlier, this ould be only a part of the story; the mposition borrowings would have a ore enlightening story to tell. In is respect, it is necessary and useful summarise the composition of bor- wings into only two categories, mely, bank borrowings and all other rrowings. The latter comprises of rm borrowings from term-financing stitutions, borrowings through de- enture issues and public deposits — l of which could be said to be at- acting by and large similar interest tes, which are sizeably lower than e lending rates of commercial banks xcept for export finance on which mpany groupwise details are not ailable). Data based on such a broad assification are also contained in ble 1.

PRIVATE LIMITED COMPANIES AT A DISADVANTAGE

In respect of medium and large blic limited companies, bank bor- wings as a proportion of total bor- wings have been generally around to 55 per cent during the past decade and a half, i e, since the early sixties. The corresponding proportion for the medium and large private companies has been significantly higher, with the difference getting bigger over the years. In the mid-fifties, the proportions of bank borrowings in total borrowings were fluctuating but were by and large the same in both the sets of companies, ranging from 45 per cent to 52 per cent. Thereafter, the share of bank borrowings in total borrowings in the case of the private limited companies has tended to increase rather steadily, reaching of late as high a proportion as 65 per cent.

The cause of such high dependence on bank borrowings among the private limited companies and its implications for various financial practices should await a review of the reliance of other sets of companies on commercial bank credit, but one distinctive cause which is important and which we should highlight here relates to the extent to which the medium and large private limited companies are made to resort to high-cost bank debt for their investment (term) finance as compared with the public limited companies. Table 2 which gives data on such term borrowings from various agencies brings this out clearly. As may be observed from the Table, while the public limited companies get over 90 per cent of their term credit requirements from low-interest rate sources, the private limited companies get only two-thirds. Again, the institutional agencies provide over 31 per cent of the credit requirements of the former, but only about 13 per cent of those of the latter. Therefore, nearly one-half of their term finance is from other sources like public deposits on which also they would have to offer higher deposit rates than those offered by the public limited companies. The public limited companies get about 50 per cent of their term finance needs from 'other sources', but there is a difference — they float debentures which the private limited companies cannot do. According to the ICICI study, about 7 to 10 per cent of total borrowings of public limited companies are in the form of debentures.

Reverting to the principal theme of differences in reliance on bank credit, the small public limited companies now have about 55 per cent of their credit needs met from banks, which is also the proportion for the medium and large public limited companies. In the mid-fifties when the proportion for the latter had already reached about 50 per cent, for the small public limited companies it was a little over 30 per cent. Thus, the small public limited companies have experienced a faster increase in the share of their borrowings obtained from banks. This could not be said of the small private limited companies whose share of bank credit at around 50 per cent of their total borrowings now is sizeably lower than the share of medium and large private limited companies (at about 65 per cent). Again, small private limited companies are made to rely on miscellaneous sources on a larger scale than all other sets of companies (Table 3), which perforce imposes a higher average interest rate resulting in a higher overall incidence of interest on such companies.

What is noteworthy and intriguing is the share of bank borrowings in respect of the branches of foreign companies. These always obtained over 70 per cent of their needs from commercial banks; in certain years, it increased to nearly 90 per cent. This is intriguing, because company finances studies have shown that branches of foreign companies paid the lowest average rate of interest on their total borrowings, that is, about 6.5 per cent in the early seventies when the medium and large public limited companies paid 9.5 per cent. One possibility is that they have a large proportion of export credit which has always been at a concessional rate. The branches also probably obtain loans from their principals abroad either directly or through their bankers at nominal rates of interest. It is also likely that the bankers give the foreign branches a very high credit rating and so charge them

TABLE 3 : IMPORTANCE OF MISCELLANEOUS SOURCES FOR SMALL COMPANIES

(Rupees crores)

Total Borrowings from	Small Public Limited Companies				Small Private Limited Companies			
	1965-66	1966-67	1974-75	1975-76	1965-66	1966-67	1974-75	1975-76
Banks	12.32 (46.6)	13.21 (47.1)	15.18 (53.3)	14.66 (55.5)	11.65 (31.4)	12.60 (31.9)	30.85 (47.1)	33.02 (48.9)
Institutional agencies	0.88 (3.3)	0.99 (3.5)	1.64 (5.8)	1.57 (6.0)	1.71 (4.6)	1.80 (4.6)	3.62 (5.5)	3.67 (5.4)
Government/ semi-government	0.20	0.20	0.06	0.11	0.10	0.07	0.11	0.10
Others	13.06 (49.4)	13.64 (48.6)	11.60 (40.7)	10.06 (38.1)	23.60 (63.7)	25.06 (63.4)	30.91 (47.5)	30.69 (45.5)
Total borrowings	26.46 (100.0)	28.04 (100.0)	28.48 (100.0)	26.40 (100.0)	37.06 (100.0)	39.53 (100.0)	65.48 (100.0)	67.48 (100.0)

Note : Figures in brackets represent percentages to total borrowings.

TABLE 4 : INVENTORY AS PERCENTAGE OF SALES (RBI SAMPLES AND ICICI SAMPLE)

(Percentages)

Year	Medium and Large Public Limited Companies		Medium and Large Private Limited Cos	Large Public Limited Companies	Small Public Limited Companies	Small Private Limited Companies	Branches of Foreign Companies	Foreign-Controlled Rupee Cos	ICICI Sample (Public Limited Companies)
	All Industries	Excluding Trading Cos							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1950-51	33.8	36.7	—	—	—	—	—	—	—
1951-52	31.4	35.0	—	—	—	—	—	—	—
1960-61	32.7	34.3	19.0	—	22.9	—	22.6	26.8	—
1961-62	33.1	34.3	21.2	—	22.6	—	21.2	28.0	—
1965-66	33.8	32.7	22.0	30.4	17.4	15.4	17.9	30.3	—
1966-67	33.9	35.1	22.3	30.6	17.3	16.2	21.5	32.0	—
1970-71	32.0	33.5	22.3	30.6	17.6	16.4	17.6	29.6	—
1971-72	32.3	33.7	22.6	31.8	18.1	16.4	16.4	30.8	—
1972-73	30.8	32.1	22.0	30.7	15.4	15.9	17.1	30.3	32.4
1974-75	33.2	34.5	22.6	33.1	16.2	17.5	—	—	33.6
1975-76	31.1	32.3	22.2	31.1	15.3	17.2	—	—	30.8
1975-76	—	—	—	30.4	—	—	—	—	30.8
1976-77	—	—	—	27.2	—	—	—	—	27.7
1977-78	—	—	—	26.3	—	—	—	—	26.6

relatively lower rates of interest. On the other hand, the foreign-controlled rupee companies, like the medium and large public limited companies, obtain a little over 50 per cent of their borrowings from banks.

INDUSTRYWISE DIFFERENCES

Industrywise details show that some of the industries known for their very high profit margins such as silk and rayon textiles, aluminium, basic industrial chemicals, and medicines and pharmaceutical preparations have lower proportion of borrowed funds (ranging from about 30 per cent to 35 per cent against the average of about 50 per cent for medium and large public limited companies), but more importantly, some of them have considerably lower reliance on high cost bank funds. In the case of aluminium and basic industrial chemicals, bank borrowings as percentages of their total borrowings have been as low as 20 to 30 per cent as against the average of over 35 per cent.

From this review of the broad composition of borrowings, it would appear that the medium and large companies (both public limited and private limited) have considerably lower proportions of their needs as borrowings as compared with the small-size companies. Among the same group of medium and large companies, the public limited companies have lower borrowings. And finally foreign companies have the lowest dependence on borrowed capital. While this is factually true, a closer examination would nevertheless show that it would be wrong to infer therefrom that the bigger companies and the foreign firms have 'better' financial practices, in the sense that they deploy more of their own owned funds. Far from it. Their relatively lower dependence on borrowed capital has been made possible by

(a) their reliance on trade credit which is generally to the detriment of the smaller firms;

(b) the availability of interest-free funds such as development rebate or investment allowance reserves and ordinary depreciation reserves on a substantial scale; and

(c) the relatively higher profit margins which also tend to favour the bigger and the foreign firms.

TRENDS IN INVENTORY-SALES RATIOS

Before reviewing these aspects of financial practices, it is necessary to amplify the general observation that the bigger companies and the foreign firms cannot claim to have any noteworthy financial practices such that their borrowing needs get thereby reduced. First, let us look at their inventory-sales ratios. As shown in Table 4, the medium and large public limited companies always held higher inventories (ranging from 30 to 33 per cent of their sales) than the medium and large private limited companies (only 20 to 22 per cent of their sales). Large public limited companies held the same levels of inventories as those held by the medium and large public limited companies (about 30 to 33 per cent). Also, the small size companies in both the categories held considerably lower inventories in relation to their sales (around 16 to 18 per cent) as compared with their respective medium and large-size groups. The inventory-sales ratios of manufacturing units among the branches of foreign companies as well as foreign-controlled rupee companies have been very close to those of the medium and large public limited companies. In 1972-73, for instance, inventory-sales ratio of foreign-controlled rupee companies was 30.3 per cent whereas it was 30.8 per cent for the medium and large public limited companies or 30.7 per cent for the large public limited companies.

TABLE 5 : INVENTORY AS PERCENTAGE OF SALES (RBI's SAMPLE OF BRANCHES OF FOREIGN COMPANIES AND FOREIGN-CONTROLLED RUPEE COMPANIES—INDUSTRYWISE)

(*Percentages*)

Year	Branches of Foreign Companies			Foreign-Controlled Rupee Companies	
	Tea Plantation	Manufacturing	All Industries	Manufacturing	All Industries
(1)	(2)	(3)	(4)	(5)	(6)
957-58	49.4	35.3	23.4	29.0	27.4
958-59	53.0	30.1	21.0	27.0	26.8
959-60	41.3	34.4	19.4	24.6	25.4
960-61	55.5	35.6	20.1	24.7	23.5
961-62	52.8	35.6	22.6	29.7	26.8
961-62	48.8	34.3	21.1	31.0	28.0
962-63	46.1	36.0	22.0	31.7	28.2
962-63	45.9	36.1	19.7	31.9	28.2
963-64	45.2	33.4	18.1	30.8	27.0
963-64	48.3	33.1	18.0	30.8	27.2
964-65	53.4	32.7	17.2	29.3	26.6
964-65	52.9	30.5	16.8	29.3	26.4
965-66	52.8	27.6	15.3	31.1	28.1
965-66	52.5	27.8	17.9	32.6	30.3
966-67	51.3	33.2	21.5	34.5	32.0
966-67	51.1	33.2	21.1	34.1	31.8
967-68	51.1	29.3	20.3	34.9	32.8
967-68	51.1	29.2	20.9	34.9	33.3
968-69	59.6	29.7	19.4	33.3	31.9
968-69	59.6	29.8	19.3	33.7	31.8
969-70	43.5	29.1	17.8	30.5	28.6
969-70	43.5	29.2	18.1	30.9	29.6
970-71	62.3	30.2	18.4	31.3	29.7
970-71	60.3	30.5	17.6	26.8	29.6
971-72	47.5	22.9	16.4	27.4	30.8
971-72	47.5	23.0	19.2	32.1	31.0
972-73	47.6	24.6	17.1	31.6	30.3

his is for all foreign-controlled rupee mpanies. If manufacturing segments one are considered, the ratios are e same as those for comparable do-estic companies. In fact, as the ta presented in Table 5 would show, ese ratios for the foreign manufac-ring units have always been slightly gher than those for the medium and rge public limited companies and so for the large public limited com-nies. Likewise, in the case of the anufacturing units under the bran-es of foreign companies, the inven-ry-sales ratios have been slightly ver than those for the foreign-con-lled rupee companies. But, again, ey are not as low as in respect of e medium and large private limited mpanies or in respect of the small-e private or public limited compa-es. Within the branches of foreign mpanies, a glaring example of hold-g larger inventories is that of tea companies. The sample of tea plantations included in their group generally possessed total stocks worth 48 to 60 per cent of their sales in individual years but the sample of tea companies included under the RBI's medium and large public limited companies always possessed considerably lower total stocks, i e, in the range of 30 to 40 per cent of sales; during the past ten years, this proportion has always remained around 30 per cent against a range of 40 to 60 per cent among the foreign tea companies and foreign tea branches. Incidentally, even among the medium and large public limited companies, there are considerable inter-industry differences in inventory-sales ratios.

A second measure of better financial management relates to the ratio of bank borrowings to total inventories. It may be claimed that even though large-size companies as well as foreign companies have the same size of inventory holdings in relation to sales, the ratios of short-term bank borrowings to inventories among them are lower, implying that there is at least in this respect some better financial management. This is apparently true in respect of some segments of the corporate sector under study (Table 6). But even in instances where this is true, the lower bank borrowings have been made possible almost entirely or considerably by obtaining trade credit which would obviously mean that the suppliers of goods, particularly the small-scale units among them, have borne the brunt. Such smaller units have to borrow from banks larger amounts of credit and probably for longer periods than normally required.[1] As referred to earlier, this has been a perennial problem in the financial management of bigger firms *vis-a-vis* the the smaller firms and recent revelations show that the situation has not undergone any change even after the nationalisation of major banks.[2]

To present relevant data in this respect, we have compiled the following series of ratios, namely,

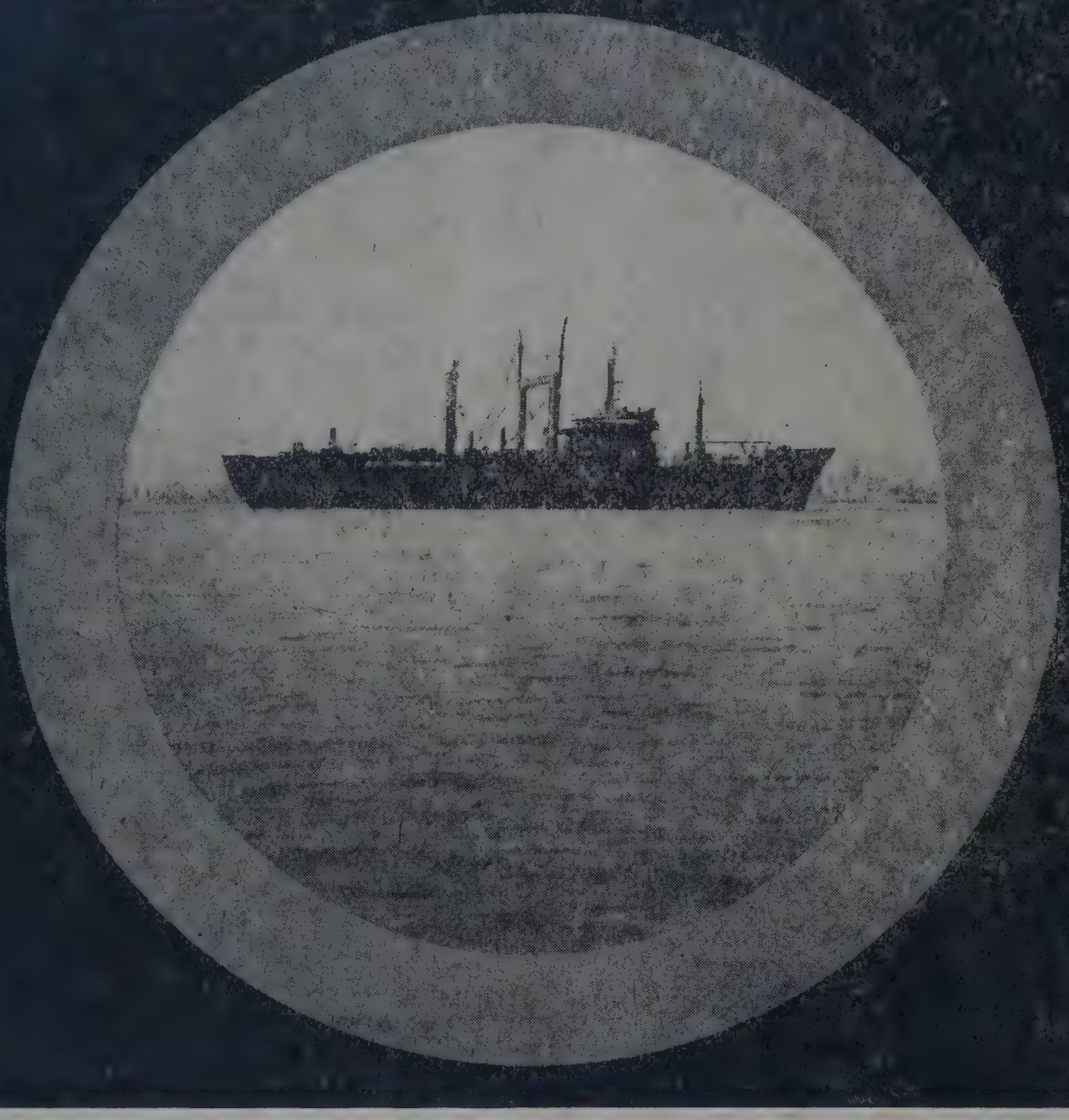
(i) total bank borrowings as percentage of inventories;
(ii) short-term bank borrowings as percentage of inventories;
(iii) short-term bank borrowings *plus* sundry creditors as percentage of inventories; and
(iv) sundry creditors as percentage of sundry debtors.

RELIANCE ON TRADE CREDIT

First, it is true that medium and public limited companies have a slightly lower ratio of short-term bank borrowings to inventories (say, at 50 per cent in 1975-76) than that for the comparable private limited companies (Table 6). But, the large public limited companies and the newer companies represented by the ICICI sample also have a more than 50 per cent ratio of short-term bank borrowings to inventories. The small-size companies, particularly in the private limited group, have this ratio at a slightly higher level than their respective medium and large categories. But, as brought out in the following paragraphs, medium and large public limited companies and large companies among them have invariably passed on the incidence of lower availability of bank credit, particularly since the beginning of the seventies, to others through resorting to higher trade

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TABLE 6 : SHORT-TERM BANK BORROWINGS AS PERCENTAGE OF INVENTORIES

(*Percentages*)

Year	Medium and Large Public Limited Companies	Medium and Large Private Limited Companies	Large Public Limited Companies	Small Public Limited Companies	Small Private Limited Companies	Branches of Foreign Companies	Foreign-Controlled Rupee Cos	ICICI Sample of Public Limited Companies
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1950-51	29.1*	—	—	—	—	—	—	—
1951-52	30.8*	—	—	—	—	—	—	—
1960-61	47.4*	55.3*	42.4*	45.5*	—	27.8*	29.7*	—
1961-62	48.8*	53.8*	43.4*	48.7*	—	26.2*	32.6*	—
1965-66	54.5	54.4	53.8	49.2	41.3	37.5	43.2	—
1966-67	57.7	56.3	58.3	50.4	40.0	32.4	48.5	—
1970-71	57.4	61.6	59.7	53.8	54.5	41.0	52.2	—
1971-72	53.8	60.9	54.7	53.3	59.6	40.2	48.4	48.9
1972-73	49.0	61.5	50.2	58.2	57.8	34.4	37.5	46.0
1974-75	44.4	57.7	41.2	52.4	55.2	—	—	44.1
1975-76	49.5	59.7	45.3	49.4	57.8	—	—	50.6
1975-76	—	—	47.2	—	—	—	—	50.6
1976-77	—	—	50.2	—	—	—	—	56.1
1977-78	—	—	50.3	—	—	—	—	53.8

* Total bank borrowings as percentage of inventories.

TABLE 7 : 'SUNDRY CREDITORS' AS A PERCENTAGE OF 'SUNDRY DEBTORS'

(*Percentages*)

Year	M and L Public Limited Companies	Large Public Limited Companies	Medium and Large Private Limited Companies	Small Public Limited Companies	Small Private Limited Companies	Branches of Foreign Companies
1970-71	95.9	101.5	100.9	104.6	104.3	125.9
1971-72	107.1	105.1	101.5	104.8	119.4	154.0
1972-73	112.7	112.1	103.6	106.2	114.8	186.0
1973-74	125.7	125.7	109.4	108.5	108.8	—
1974-75	137.9	137.7	123.3	117.1	113.4	—
1974-75	137.2	135.7	119.7	117.7	—	—
1975-76	125.9	122.0	113.9	122.1	—	—
1975-76	—	119.2	—	—	—	—
1976-77	—	108.1	—	—	—	—
1977-78	—	112.0	—	—	—	—

TABLE 8: 'SUNDRY CREDITORS' AS PERCENTAGE OF 'SUNDRY DEBTORS'—INDUSTRYWISE

(*Percentages*)

Year	Cotton Textiles	Jute Textiles	Tobacco	Silk and Rayon Textiles	Iron and Steel	Aluminium	Basic Industrial Chemicals	Cement	Paper and Paper Products
1970-71	108.1	186.2	105.2	242.4	175.7	137.8	87.4	107.3	153.3
1971-72	113.1	186.4	120.3	256.1	190.2	192.7	84.3	119.5	163.1
1972-73	121.8	202.6	104.7	305.5	203.7	128.8	101.6	139.3	188.0
1973-74	139.6	258.1	134.6	289.2	219.6	132.0	124.5	170.8	204.2
1974-75	138.5	260.7	137.2	221.3	245.5	195.3	120.2	273.7	182.9
1974-75	136.9	268.2	137.2	219.1	245.5	195.3	120.2	213.7	183.4
1975-76	151.6	251.6	140.5	141.9	208.9	170.6	93.5	306.0	165.2

redit. Data presented in Table 7 are evealing in this respect. During the eriod of credit stringency in the ears 1972-73 to 1974-75, the ratio f 'sundry creditors' to 'sundry debtors' shot up to unusually high levels amongst the medium and large public limited companies, the large public limited companies and the branches of foreign companies (Table 7).

It could be argued that the small-size companies also had some increases in their dependence on trade credit, but there is a qualitative difference between their reliance on trade credit and that of bigger firms. Because of the consequential erosion in the liquidity of small firms arising from delayed payment of bills by bigger firms — a feature of the commercial world that has been brought out by many Committees and Survey results — the smaller firms have to perforce rely on higher bank credit and also to some extent postpone paying their dues. It is likely that these dues by and large belong to the unorganised enterprises in the manufacturing sector. But because of their better bargaining strength, the bigger firms generally dictate terms in the whole commercial and business system. It is also equally likely that in the Indian context the smaller firms are as exploitative as the bigger ones inasmuch as they exploit small household enterprises.

Secondly, in respect of medium and large public limited companies and large-size companies among them, the short-term bank borrowings to inventories ratio, which had been rising over the first decade and a half and which reached the peak in 1968-69 (at about 61 per cent compared with about 30 per cent in the early fifties), has experienced a downward trend since then. The ratio has steadily declined from 61 per cent in 1968-69 to about 44 per cent in 1974-75 though it registered a sharp increase in 1975-76 (to about 50 per cent). This has been due to credit stringency experienced by the commercial banks and the consequential measures of credit restraint following the severe inflationary situation of 1972-73 to 1974-75. These trends may give an impression that the bigger firms have adopted a better degree of financial discipline. But, what we have succeeded in bringing out here is that this achievement of financial discipline among the bigger firms is more apparent than real, that they have achieved it by resorting to large trade credit. In the case of these companies, the ratio of 'sundry creditors' to 'sundry debtors' has always been in the neighbourhood of 100 or on occasions only slightly above 100. But since the beginning of the seventies, the ratio has risen steeply from about 100 in 1970-71 to 137 in 1974-75. The branches of foreign companies have the highest ratio, as high as 186 per cent in 1972-73. No

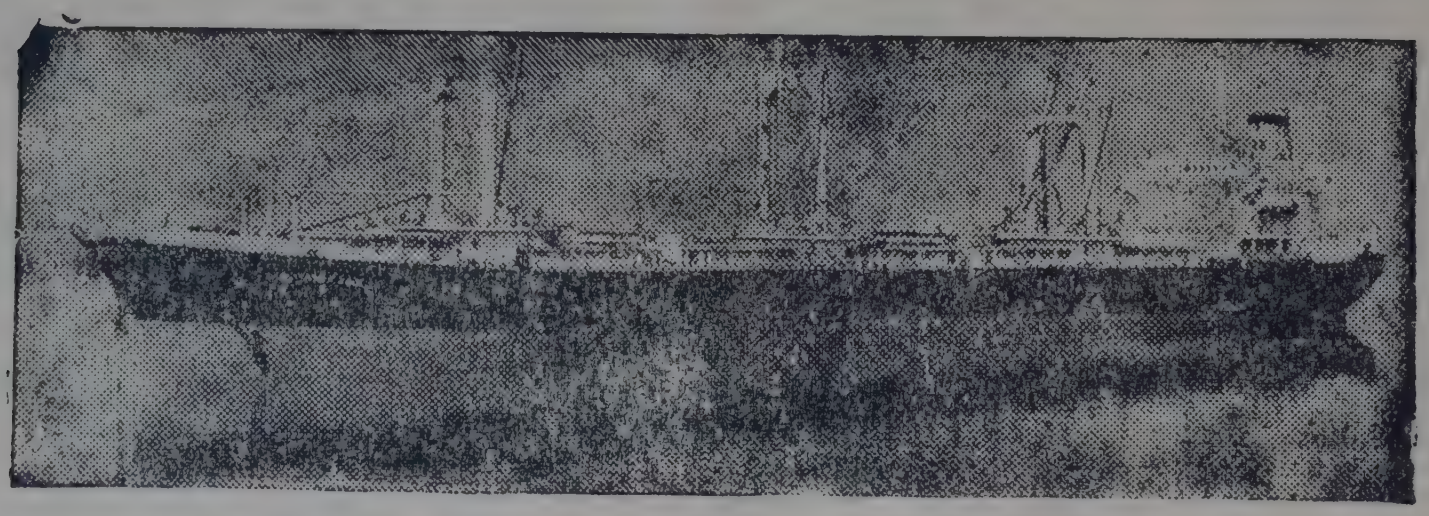
doubt, there has been some decline thereafter, but curiously enough, it has been accompanied by higher reliance on short-term bank borrowings. The ratio of short-term bank borrowings to inventories rose steeply from 44.4 per cent in 1974-75 to 49.5 per cent in 1975-76 in respect of the medium and large public limited companies and from 41.2 per cent in 1974-75 to 50.3 per cent in 1977-78 in respect of large public limited companies (Table 6).

The third important conclusion refers to the industrywise position. As emphasised earlier, industries with large profit margins and those with large depreciation and development rebate reserves have a relatively lower order of overall indebtedness and many of them also have a lower order of bank borrowings in relation to total indebtedness. A detailed study of 32 industrial categories based on the RBI studies on company finances revealed that in all such cases, short-term bank borrowings in relation to total inventories have been sizeably lower, particularly in the seventies. Silk and rayon textiles, aluminium, iron and steel, basic industrial chemicals, medicines and pharmaceutical preparations, cement, and paper and paper products have had this ratio reduced to a range of 30 to 35 per cent during 1974-75 and 1975-76 against the average of over 45 per cent in the preceding five year period, when profitability of these industries in particular and of the corporate sector in general was very buoyant. Nevertheless, it is revealing that some of these were the very industries which, with their stronger bargaining strength, succeeded in passing on the incidence of credit control measures to their suppliers of goods. As may be observed from Table 8, some of these industries have resorted to 'sundry creditors' to the extent of twice the size of their 'sundry debtors'.

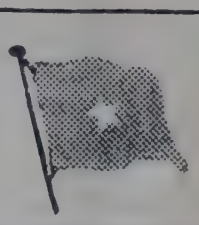
Notes

1 "The impact of the delayed payments (of bills) on the liquidity of small-scale industries is mitigated to the extent to which banks extend the period of retention of bills drawn by them or the period of advance against book debts beyond, say, 80 to 120 days". See, RBI Report of the Committee on Delayed Payment of Bills of Small Industries on Government Departments and Large Industries (Chairman: K N R Ramanujam) (Bombay, April, 1972), p 11.

2 This subject of delayed payments by bigger firms has engaged the attention of the Reserve Bank of India at different points of time. See, for instance, Ramanujam Committee Report, *op cit.* Among other things, the Committee said, "Obviously, for those units which sold their products exclusively to medium and large industries or government departments, the impact of delayed payments on the operations would be particularly severe". That the situation is still persisting is evident from a recent NCAER study based on a sample survey of 80 bank branches 'spread over different banks in different regions of the country'; the study points out: "Delays in payment of dues by large industrial units and government departments to their small industrial units have seriously impaired the liquidity of some of the small industrial units. It was surprising that even where the large and small industrial units were both clients of the same bank no attempt was made in several cases to put pressure on the large units to clear this arrears to the small units. Several managers observed that this was outside the scope of their functions". NCAER: "Operation of Credit policies of Nationalised Banks since 1969", sponsored by Planning Commission, Government of India, New Delhi, March 1978, p 124.



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Corporate Investment in 1980

A Forecast

C Rangarajan

An attempt is made in this paper to forecast the growth in private corporate investment in 1980. Corporate investment is taken to include gross capital expenditures of all companies including joint sector companies.

This study also provides a picture of the level and composition of corporate investment in 1979.

Forecasting Technique

IN developed countries it is a standard procedure to forecast corporate investment through the use of anticipatory data. Such anticipatory data are collected primarily through surveys of investment intentions. Both governmental and non-governmental agencies undertake such surveys.

The methodology used in this paper to forecast corporate investment relies on the data available with the term-lending institutions on the phasing of capital expenditures of projects sanctioned by them. The details of the technique followed have been explained by the author in his earlier writtings.[1]

It has been observed that most projects in the corporate sector approach one or other of the all-India term-lending institutions for obtaining financial assistance. The companies provide the lending institutions with data not only on the total cost of the project but also the capital expenditures (project as well as normal) to be incurred in the various years. All this information forms part of the cash flow statements attached to the proposals. By aggregating the information on the phasing of capital expenditures of proposals sanctioned in all the previous years, it should be possible to forecast capital expenditures for any year. The scope of the study is strictly restricted to the enterprises which have taken assistance from the term-lending institutions. Thus, the estimates arrived at do not cover the entire corporate sector. Nevertheless, since most of the companies come to the financial institutions for assistance, this estimate can be regarded as a reliable reflection of the behaviour of the entire corporate sector. What is relevant from the point of the corporate sector as a whole is the trend revealed in the rate of change.

The estimates that are derived approximate more closely to the gross fixed asset formation than to net fixed asset formation. In the case of new companies there is no difference between gross and net fixed assets. But with respect to old companies, the cash flow statements provided to the financing institutions relate to the entire company. Therefore, as mentioned previously, we take down not only the capital expenditures to be incurred on projects but also the normal capital expenditures which are shown in the cash flow statements. In the last few years we have taken extra care to collect data on both types of capital expenditures. But we have faced some difficulties in this regard. There are some companies which have not provided data on normal capital expenditures. In the case of certain types of loans such as those for balancing equipment, detailed data are not usually provided.

Limitations of the Approach

A limitation of this method of forecasting is that part of the expenditures to be incurred in any year comes out of projects sanctioned in that very year itself and we have no information on this. The proportion of such expenditures has varied from year to year. In 1973, 1974, and 1976 the ratio was around 30 per cent. There was a sharp jump in the ratio to 45 per cent in 1977 which may perhaps be accounted for by the introduction of new schemes such as soft loan schemes and technical development fund schemes. Expenditures on projects coming under such schemes may not have much lag. This ratio dropped to 28 per cent in 1978. It rose again to 35 per cent in 1979. Thus a part of the capital expenditures to be incurred in a year will largely depend upon the factors that operate within that year and these cannot be forecast by our model. While the pending applications with the term-lending institutions can give some clue, they do not provide a fully satisfactory indicator. However, this method at least indicates the minimum investment that will be made. Also it indicates the expenditures that will have to be forthcoming out of the investment decisions of the forecast year in order to show a rise.

The other limitations of this model of forecasting have been pointed out by the author in his earlier writings. The validity of the estimates depends upon how closely companies adhere to the expenditure pattern outlined in the initial project proposal. Cost over-run of projects by itself is not a limitation. So long as companies seek assistance from the term-lending institutions for financing the cost over-run, they would get incorporated in our estimates. In the case of such projects necessary adjustments are made in the phasing of capital expenditures in the light of the new information. Obviously over-runs which are financed by companies out of their own resources will not be captured in our estimates. However, the crux of the problem is how closely even under normal circumstances companies stick to their original phasing of capital expenditures. We had reported earlier the results obtained from an analysis of 44 projects done by us comparing the original and the actual phasing of capital expenditures. It is difficult to draw any generalisations from this study. The one factor that emerges is that in the case of expenditures to be incurred in the year of sanction, planned expenditures are always higher than the actuals. It appears that normally projects provide for about 20 per cent of the cost of the projects to be incurred in the year of sanction. But the actuals are much closer to 10 per cent. There is evidence to believe that the original and the actual phasing of capital expenditures are much closer for existing companies than for new companies. To some extent differences are also accounted for by the nature of the industries. Actual expenditures will perhaps be close to the planned ones in the case of loans granted under such schemes as soft loan schemes and technical development funds. The composition of the projects in terms of old and new companies, types of industries and types of loans vary from year to year. There is no general formula by which one can modify the original phasing of capital expenditures. We have to be content with making changes in the original phasing of capital expenditures as and when new information is made available to the financing institutions. However, some judgment will have to be exercised taking this dis-

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TABLE 1 : PHASING OF CAPITAL EXPENDITURES ON PROJECTS SANCTIONED BY TERM-LENDING INSTITUTIONS

ar nc n	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
0	39	44												
1	76	41	21											
2	238	134	52	26										
3	165	112	80	63	53	40	30							
4	1447	354	295	153	79	47	28	12	2					
5	7227	1897	754	449	203	184	135	21						
6	7393	6202	5930	2397	1127	623	397	359	151					
7	4651	12160	9407	4377	2041	424	308	190	138	23	3	12		
8	232	4276	9170	6655	4219	2768	1711	178	110	53	5			
9		74	8914	14168	7859	6213	2172	445	164	54	12			
0		279	74	4545	7817	6704	2193	647	403	176	332	315		
1			63	766	7600	10990	9062	4487	854	396	260	260	238	
2					762	15288	17531	11775	4036	977	397	283	229	
3						2652	15622	26183	11053	5167	4046	1003	836	
4					95	361	3889	19832	20413	14411	2193	1245		
5							17	4016	11423	23122	21535	11854	5200	879
6									4248	19462	23144	13028	1725	701
7										6399	44666	45901	23665	8040
8										326	5942	28052	43222	32150
9												4849	35240	62127
tal	21468	25574	33759	34048	31844	46294	53095	68148	52995	70566	102495	106802	110355	103897

BLE 2 : INDUSTRYWISE CAPITAL EXPENDITURE FOR 1978 AND 1979 AND EXPECTED CAPITAL EXPENDITURE FOR 1980 (*Rupees lakhs*)

. Industry o	1978	1979	1980
1) Chemicals and pharmaceuticals	19410 (18.19)	19330 (17.43)	23836 (23.22)
2) Electrical	9554 (8.95)	13590 (12.25)	19961 (19.45)
3) Engineering	3325 (3.11)	2807 (2.53)	3583 (3.49)
4) Jute	1493 (1.40)	2050 (1.85)	1305 (1.27)
5) Minerals and metals	12554 (11.76)	14481 (13.05)	15138 (14.75)
6) Paper	14663 (13.74)	7078 (6.38)	3248 (3.16)
7) Textiles	14082 (13.20)	20119 (18.14)	12415 (12.10)
8) Transport	7394 (6.93)	5150 (4.64)	7994 (7.79)
9) Cement	10048 (9.42)	9840 (8.87)	9381 (9.14)
0) Miscellaneous	14194 (13.30)	16486 (14.86)	5779 (5.63)
Total	106717	110931	102640

ote : Figures in bracket are percentages of total.

rity into account while making fore-ts.

PAST FORECASTS

Forecasts of corporate investment ng this model have been made in the st several years. However, one is urally tempted to ask how far these ecasts compare with actuals. It is her unfortunate that we do not have eries on corporate fixed investment ich is reliable and acceptable to all. present estimates are provided by CSO, the *Economic Times* and to ne extent by the Reserve Bank of lia. Individual researchers have also nstructed such series.[2] An analysis these series prepared by the various encies and persons shows that they fer from one another not only in ab-ute amount but also in terms of re-lative changes for several years. There are years in which even the direction of change is different for the different estimates. Though all the estimating agencies use the method of blowing-up the figures obtained from a sample survey of companies, differences seem to arise because of a lack of reliable data on the total paid-up capital of all companies industrywrise. For 1972-73, 1973-74 and 1974-75 the *Economic Times* estimates of gross fixed assets formation of the corporate sector show a rise of 42.4 per cent, 6.5 per cent and 32.8 per cent, respectively. The corresponding rates of growth according to the CSO estimates which include co-operatives also are 31.4 per cent, 7.3 per cent and 16.4 per cent respectively. Our final estimates show a rise of 45.3 per cent, 14.7 per cent and 28.5 per cent, respectively. The substantial increase in gross fixed investment at least in nominal terms witnessed in 1972-73 and 1974-75 were captured by our forecast. For 1975-76 our forecast showed a fall whereas all other estimates showed a rise. We are planning to re-examine the data collected for 1975 to find out if there are any errors in the data collected for 1975. The Reserve Bank of India have not yet supplied data on the sample of medium and large public limited companies after 1975-76. The only data now available relate to 450 large companies. These data indicate that in 1977-78 gross fixed assets of the large companies increased by 25 per cent. Our estimate show a much larger rise in 1977. The *Economic Times* series however show that the rise in 1977-78 over the previous year was very small.

PICTURE FOR 1979

From the data provided in Table 1, it can be noticed that the capital expenditures n 1979 will be Rs 1,103 crores as against Rs 1,068 crores for 1978. Adding to the 1979 figures, some expenditures that will be known only when the 1980 projects are analysed, the nominal capital expenditure in 1979 might have risen by about 8 per cent over the 1978 level. Even this may be an optimistic estimate since approximately 35 per cent of the total cost of the projects sanctioned in 1979 are to be spent in 1979 itself. Scaling this figure down a little, it could be concluded that in nominal terms the investment in 1979 has perhaps risen by 3 to 4 per cent over the 1978 level.

All the capital expenditures indicated are in current prices. The cost estimates of projects sanctioned in any

TABLE 3 : INDUSTRYWISE CAPITAL COST AND PHASING OF CAPITAL EXPENDITURES ON PROJECTS SANCTIONED BY IDBI AND ... DURING 1979

(*Rupees cro*

Sr No	Industry	Total Projects Cost	Years					Number of Projects	Completion Expected in			
			1978	1979	1980	1981	1982 and Onwards		The Same Year	The Next Year	The Year After	Four Mo Year
(1)	Automobiles and cycles	54.94 (4.65)	1.50	11.92	37.43	4.09	—	8	2	4	2	—
(2)	Cement	131.92 (11.16)	13.48	36.10	45.44	36.90	—	7	—	1	6	—
(3)	Chemicals and petrochemicals (except fertilizers and pesticides)	147.80 (12.51)	3.81	29.85	72.72	27.26	14.16	33	9	17	6	1
(4)	Electrical equipment	38.25 (3.24)	—	7.70	16.66	5.08	8.25	17	8	5	—	4
(5)	Electricity, gas and steam	34.50 (2.92)	—	0.71	12.03	10.93	10.83	4	1	1	—	2
(6)	Fertilisers and pesticides	267.08 (22.60)	—	18.18	136.75	105.24	6.91	5	1	1	2	1
(7)	Food products (other than sugar)	6.92 (0.59)	—	2.46	3.40	1.06	—	5	2	2	1	—
(8)	Glass, pottery, etc	25.16 (2.13)	0.33	6.61	17.26	0.96	—	8	1	6	1	—
(9)	Machinery manufacture (other than electrical)	47.16 (3.99)	—	8.09	25.57	8.10	5.40	28	8	17	1	2
(10)	Metals and metals products	140.70 (11.91)	3.05	43.85	73.45	13.91	6.46	56	20	23	8	5
(11)	Printing and publishing	0.46 (0.04)	—	0.46	—	—	—	2	2	—	—	—
(12)	Pulp, paper and paper products	60.67 (5.13)	1.69	22.05	27.22	5.67	—	25	5	12	8	—
(13)	Rubber prodcts	0.47 (0.04)	—	0.47	—	—	—	2	2	—	—	—
(14)	Shipping	—	—	—	—	—	—	—	—	—	—	—
(15)	Sugar	8.69 (0.74)	0.16	4.62	3.24	0.67	—	3	1	1	1	—
(16)	Textiles	190.74 (16.14)	3.94	74.58	67.83	38.94	5.45	91	35	29	25	2
(17)	Wood, cork and hardboard	3.42 (0.29)	—	0.53	2.89	—	—	2	—	2	—	—
(18)	Miscellaneous	22.74 (1.92)	1.00	16.29	5.45	—	—	21	12	9	—	—
	Total	1181.66	28.96	284.51	547.32	263.41	57.46	317	110	130	60	17

year would be at the price level of that year. Thus, while aggregating the estimates of projects sanctioned in the previous years, there is need to reduce all the figures to a common price level. We have deflated all the elements in the columns by the combined price index of electrical machinery, non-electrical machinery and transport equipment with 1960-61 as 100. It is seen that in 1960-61 prices for the total capital expenditures for 1975, 1976, 1977, 1978 and 1979 would be Rs 244 crores, Rs 292 crores, Rs 403 crores, Rs 410 crores and Rs 404 crores, respectively. The total capital expenditures for 1979 in real terms does not show a rise over the level achieved in 1978.

The estimates provided are based on projects approved by the all-India institutions. There are cases where the financing of a project even in the corporate sector is done by the state level lending institutions. While detailed data from each state level institution would be difficult to collect, we looked at the refinancing done by the IDBI to get some indication of the cost of the projects financed by state level institutions exclusively. During the year 1979, we found that the total cost of the projects refinanced by the IDBI for the northern, western, eastern and southern regions were Rs 38.55 crores, Rs 69.40 crores, Rs 22.51 crores and Rs 54.13 crores, respectively. The total of all regions came to Rs 185 crores. It is, however, difficult to apportion this cost among the various years because detailed cash flow statements are not readily available and also for the reason that by the time the applications come to IDBI for refinancing, the projects have already been initiated with the help of funds provided by the state level institutions. But these figures nevertheless provide an indication of the total amount of investment activity that is going on. It must also be noted that there are other facilities such as bills rediscounting schemes of IDBI which finances capital expenditures. The total amount disbursed by IDBI during 1978-79 to non-public sector units under the sche of rediscounting of bills was Rs 1 crores.

PATTERN OF CAPITAL EXPENDITURES 1979

Table 2 provides an industryw break-up of the capital expenditu incurred in 1979. 'Textiles' top the l with 18 per cent of the total capi expenditures. Next in the order of i portance come 'Chemicals and fe lisers (including fertilisers and pesti des)' with 17.4 per cent, 'Minerals a metals' with 13.1 per cent and 'Elec cal' with 12.2 per cent. 'Textiles' h continued to account for a sizea part of the capital expenditures for t last several years. 'Paper' which h a share of 14 per cent of the capi expendiaures in 1978, accounted only 6 per cent in 1979. The share 'Cement' seems to have remained c stant at about 9 per cent of the to capital expenditures. Both 'Electric and 'Minerals and metals' have sho a rise over the previous year.

ble 3 indicates an industrywise sis of the projects sanctioned in . This Table provides important in- ation in as much as it indicates the rs in which new investment is rring. In 1979 the total cost of all projects sanctioned came to Rs 1,181 s compared with the total cost of ,100 crores in 1978. Of the total nditures of Rs 1,181 crores, ap- mately Rs 625 crores are accounted by 18 projects. In fact, the over- in relation to one fertiliser project titutes a significant part of this . During the year, the cost of the sector projects was Rs 308 crores. joint sector projects which num- 1 18 were spread over a variety of stries including paper, sponge, iron, nt and fertilisers. Soft loan schemes 76 projects accounted for Rs 241 s.

here is also a marked change in the position of industries assisted in current year as compared with the ious year. During 1978, the sector tricity, gas and steam' accounted 28 per cent of the total cost of the cts. Next came 'Metal and metal ucts' with 22 per cent. 'Textiles' unted for 19 per cent and 'Cement' 8 per cent. During 1979, the big- share went to 'Fertilisers and pes- es'. They account for 23 per cent he total cost. Next in importance s 'Textiles' accounting for 16 per of the total cost. 'Cement', 'Che- ds' and 'Metal and metal products' more or less equal importance each of them accounting for 11 cent of the total.

is interesting to note that the cost of the projects sanctioned in , 1978 and 1979 were Rs 1,128 es, Rs 1,100 crores, and Rs 1,181 es, respectively. These are in no- al terms. The total cost of the pro- approved by the lending institu- s appears to have reached a eau. Year-wise corporate investment still change because of the compo- n of the projects and the dif- nces in the phasing of capital ex- ditures. However, over a long od it implies a more or less con- t level of investment from year to

Forecast for 1980

of now based on the projects tioned until the end of 1979, the al expenditures in 1980 will be 1,038 crores. To this we will have dd the capital expenditures that be made out of projects sanctioned 980 itself. This can be around 300 crores. If we add this amount to the figure of Rs 1,038 crores, the corporate investment in 1980 may show almost a rise of 20 per cent over the level achieved in 1979. This, however, will not be a right conclusion to draw even though the raw data indicate such a change. The time phasing of the capital expenditures indicates that of the cost of Rs 1,100 crores for all the projects sanctioned in 1979, Rs 547 crores are to be spent in 1980. This is approximately 50 per cent of the total expenditures, which is unreasonably high even though in some of the sectors bulk of the new sanctions has been either for over-run or for expansion. Our past analysis of the phasing of the capital expenditures indicates that such large expenditures in a year even if expected do not materialise. If we scale down the contemplated expenditures for 1980 out of projects sanctioned in 1979 to a level which is normal, we will arrive at the conclusion that capital expenditures in 1980 by the corporate sector in nominal terms will be 8 per cent above the level achieved in 1979. In real terms, there may not be a rise in investment in 1980.

Notes

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Concept of 'Reasonable Return'

Rabbi

Concepts of capital employed and fair return have been changing with the times.

Return on net worth is a very sound concept but it should be seen along with other concepts like turnover of capital and utilisation of surplus.

Further, published accounts of companies on historical cost basis need to be supplemented with inflation-proofed results in determining the size of the surplus. Whereas in the past only arbitrary methods were available for monitoring the impact of inflation on corporate results, more recent research has shown that one can be more scientific in this regard.

The Parable, Then and Now

THE master of a house going to another country called his servants and loaned them money to invest for him while he was away. He gave Rs 5,000 to one, Rs 2,000 to another and Rs 1,000 to the last, dividing it in proportion to their abilities and then left on his trip. The man who received Rs 5,000 began immediately to buy and sell with it and soon earned another Rs 5,000. The man with Rs 2,000 went right to work too and earned another Rs 2,000. But the man who received the Rs 1,000 dug a hole in the ground and hid the money for safekeeping. After a year or so, their master returned from his trip and called them to account for his money. The man to whom he had entrusted Rs 5,000 brought him Rs 10,000. His master praised him for good work. "You have been faithful in handling the small amount" he told him, "and so I will now give you many more responsibilities". Next came the man who had received Rs 2,000 with the report, "Sir, you gave me Rs 2,000 to use and I have doubled it". "Good work" his master said. Then the man with Rs 1,000 came and said "Sir, I knew you were a hard man and I was afraid you would rob me of what I earned and so I hid your money in the earth and here it is!". But his master replied, "Wicked man! Lazy fellow! Since you knew I would demand your prifit, you should at least have put my money in a Bank so that I could have earned some interest. Take the money from this man and give it to the man with Rs 10,000, for the man who uses well what he is given, should be given more". This is a parable from the Bible.

If one ventures to make a guess as to what would happen now in India if the story is enacted, it is quite likely that some masters will tell the man who buried the money, "Well done chap. After all you have maintained the price levels — at least on paper. You have not misbehaved like those other two who earned an unconscionable profit. We need more chaps like you who are conscious of your social responsibilities. As for the money required to run my household, it does not matter if good servants like you do not contribute. I can always tax the fools who worked hard to produce that surplus. I may also use my savings to support other good fellows like you. Of course, I will make that up too by forcing it out of the two fools. What happens if those two in the process run short of cash — well, there will be others. I can also lend them some money once they are redeemed, and stop making these profits. They may not be able to pay back — well it's all in the game. After all, their jobs will have to be protected!

Whereas the old parable advocates allocation of resources to those who maximise savings and wealth, the more modern version may support other ideas. But then, what is appropriate? Some say it is the old theory that is still valid, while others do not seem to agree.

Objective of an Enterprise

What is the basic objective of an enterprise? I for one firmly believe that all objectives of a firm centre on the profit objective which is the core, the driving force of all managerial activity. This however, does not mean that profit maximation is the central objective of the firm. Rather, the 'feasible and desirable profit rate' becomes the central objective. What is feasible and desirable is determined by managements after considering the total environment in which they operate. Realisation of such expected, feasible and desirable profit rate rather than an unspecified, unending profit is the primary objective motivating managements in any competitive environment. Profit is thus the central economic objective of any business enterprise. Now what is profit? It is the surplus of resources generated over a period of time. In a business enterprise the inputs are the resources utilised in the form of investment and operating expenses and output occurs in the form of inflow of finance through sales revenue. The inflow and outflow of funds have a time dimension and these flows need not necessarily synchronise in any given period. By keeping track of the outflow and inflow of funds over a period of time one can measure the extent of recovery of resources and the surplus of resources generated. The profit as disclosed in the published accounts of companies in any one year is thus the difference between current production (revenue) and current costs. This surplus which is christened as profit is recovery of the protracted investment. It is the time-value of investment resource which may be high or low depending upon the risk associated with time. If provision is not made in current surplus for all such risks as will affect the operating capability of a business (which are in fact the future costs of staying in business), the enterprise may be wiped out any time.

Profit is thus both a return *on* investment and return *of* investment. Viewed in this context generation of inadequate surplus is perhaps the worst sin managers in a developing economy can commit. What is important is not the size of the surplus but the disposition of it. As long as the surplus is channelled into productive, economic activity (e g, payment by way of corporate taxes which is savings avaliable for investment at national level, ploughback of profits within the enterprise, etc), a positive service to society is performed as against the eating up of resources through making losses.

Another concept which may be mentioned at this stage is 'maximisation of wealth'. The objective of an enterprise is (a) to see that the gross present worth is greater than the actual present worth invested and (b) to maximise the net present worth. This is called maximisation of wealth. The process of wealth maximisation has

the twin aspects of preservation and creation of investment which is vital for economic growth. A business enterprise should seek to maximise wealth creation within the framework of constraints. While these constraints can take different forms, a limit on return on equity or investment fixed by government as well as government regulation on output prices (price control) require special attention.

Price Surveillance

What has been our thinking in regard to price surveillance? Does it take all relevant facts into account? How have the government agencies defined the concept of capital employed and reasonable return?

There is a genuine apprehension in certain quarters that the "striking thing about our country is the all pervading mistrust of the market mechanism and the firm belief that all prices can be controlled by administrative fiat". This does not seem to be fully justified, as way back in 1965 the then Finace Minister had made the following statement:

> The policy of price controls has been reviewed in the interest of giving impetus to investment growth. We sought in the past to maintain stability of prices by controlling prices either by statutory notifications or by some informal understanding with the industry. Such controls where they work are useful. But often they only tend to either restrict the growth of enterprise or to create an unofficial market in which higher prices are realised without being shown in the books to the detriment, among other things, *of government revenues.* Such a control cannot serve any useful purpose. In short, while we cannot rely exclusively on market mechanism for the distribution of all essential and scarce materials, we have to be continually on the lookout for opportunities to minimise the reliance on controls by judicious mixture of price incentives and disincentives.

In any given situation a price surveillance mechanism will have to serve several masters. It should ensure for the company which produces goods and services that

(a) Costs are fully recovered.

(b) Adequate surplus is left within the enterprise so that its operating capability can be maintained intact.

(c) Funds will be available within the enterprise to finance growth opportunities. To some extent this is covered in (b) above.

Table 1: 'Capital Employed' and 'Fair Return' as Defined by Various Government/Judicial Authorities

		Concept of 'Capital Employed' as Used by Different Government Authorities	Concept of 'Fair Return' as Defined by Different Government Authorities
(1)	Committee on Profit Sharing (1948)	Capital employed means all paid up capital plus reserves (including all future allocations of reserves) which are held for purposes of business. Depreciation reserves are to be excluded and only reserves built out of profit on which taxes have been paid.	6 per cent on the paid up equity capital plus all free reserves held for the purpose of business.
(2)	Tariff Boards (upto 1952)	Recommended prices for various commodities after adding to the cost a fair return on capital employed which was to include gross fixed assets and working capital. Working capital was calculated as equivalent to 3 to 5 months of cost of production.	8 per cent on gross block together with 4 per cent interest on working capital.
(3)	Tariff Commission	(a) In 1958 enquiry on cement prices, capital employed is net assets comprising fixed assets (after depreciation) and current assets used in business less current liabilities and provisions; work in progress relating to assets which have not gone into production and intangible assets like goodwill were excluded. (b) In 1962 for retention prices of steel, gross value of the block based on representative block per ton of saleable steel of an established unit was considered as the basis for calculating a fair return.	In 1955 enquiry on the prices of rubber: (a) Tyres and tubes, 10 per cent return on capital employed was allowed. Since then it has varied between 10 per cent and 14 per cent. (b) Cement prices 1956: the actual returns varied between 12 per cent and 6 per cent (for high and low cost units). Revised in 1961 as 14 per cent and 8 per cent. (c) Steel prices 1962: 8 per cent return on the standard block of Rs 1,300 per ton of saleable steel, plus 5 per cent interest on working capital estimated at 6 months' works cost.
(4)	Damle Committee	Computed capital employed as net fixed assets plus current assets minus current liabilities in 1961 for oil prices.	12 per cent on capital employed.
(5)	Electricity (Supply) Act, 1948	Return is calculated on the capital base represented by the cost of fixed assets (excluding those financed from depreciation funds) including intangible assets, cost of work in progress, the average cost of stores plus reasonable cash and bank balances.	Bank rate plus 2 per cent on the capital base.
(6)	Labour Appellate/ Industrial Tribunals	(For purposes of calculating the available surplus out of which bonus to employees to be paid.) Paid-up capital plus reserves used as working capital.	6 per cent return on paid-up capital and 2 per cent on reserves.

(*Continued*)

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TABLE 1 CONTINUED

Bonus Commission	(For purposes of calculating the available surplus out of which bonus to employees to be paid.) Paid-up capital plus reserves used as working capital. (In the case of foreign companies which have no paid-up capital in India or which have only trading activities, capital employed means sum of net fixed assets plus current assets minus current liabilities.)	7 per cent return on paid-up capital and actual rate of preference dividend payable, plus 4 per cent on reserves used as working capital. The government substantially modified the Bonus Commission's recommendations and as per the Bonus Act. (a) Actual rate of preference dividend. (b) 8½ per cent on paid-up equity capital and (c) 6 per cent on reserves, is allowed
Supreme Court 1972	Automobile industry, 16 per cent on capital employed.	Automobile Industry, 16 per cent on capital employed.
Bureau of Industrial Costs and Prices	*Prior to 1975* 15 per cent of capital employed consisting of net fixed assets and reasonable working capital. *After 1975* Upto 14 per cent post tax return on net worth.	*Prior to 1975* 15 per cent of capital employed consisting of net fixed assets and reasonable working capital. *After 1975* Upto 14 per cent post tax return on net worth.

d) A satisfactory current dividend is paid to the shareholders.

r the consumer it should ensure that

a) A steady supply of goods and services is maintained.

b) Such supply of goods and services should satisfy the simple norm "value for money".

c) The price of goods and services should not rise out of proportion to the general trend in prices as a whole in the economy.

r the government it should ensure t

a) The enterprise contributes its share of taxes, i e, it is not a drain on the national exchequer.

b) It is cost-effective, i e, it is innovative and always does not pass on the full cost increases to the consumer.

c) It has a firm commitment to Research and Development.

d) The overall performance is rated good so that it does not become sick and be a drain on the system but maximises production so that cost per unit can be controlled.

e) Its management is effective, i e, they know the difference between doing the right things and doing things right!

Price surveillance, therefore, is a complex managerial function which has to be constantly evolving and innovating so that we finally reach an optimum solution. Our thinking is certainly in this direction as may be seen from the statement of the then Union Finance Minister as quoted above. We are continually on the lookout for opportunities to minimise the reliance on controls by judicious mixture of price incentives and disincentives.

Now let us have a look at the concepts of 'Capital Employed' and 'Fair Return' as defined by various government/judicial authorities (see Table 1). It will be seen that both the concepts 'Capital Employed' and 'Fair Return' have been undergoing changes over a period of time. Current thinking seems to have stabilised on 'post tax return on net worth' as the yardstick to be used.

RETURN ON NET WORTH

Is this yardstick of 'return' on net worth an adequate yardstick? Or should it be seen along with other yardsticks as well? We had seen earlier that profit is both a return of investment as well as a return on investment. Profit is also the surplus in excess of current revenue over current costs. The return on investment whether expressed as a percentage of net worth or the total capital employed is the combination of two ratios. This can be expressed as under:

$$\frac{(\text{Sales} - \text{cost})\ 100}{\text{Sales}} \quad \frac{\text{Sales}}{\text{Investment}}$$

$$= \frac{\text{Sales} - \text{Cost}}{\text{Investment}}$$

i e, Sales margin x Turnover of Investment = Return on Investment or Earning power of the Firm.

The term investment in the current context could be net worth. Hence the return on net worth could be expressed as:

$$\frac{\text{Sales} - (\text{All costs})}{\text{Sales}} \quad \frac{\text{Sales}}{\text{Net Worth}}$$

All costs will include both interest and taxation as from the point of view of shareholders they are costs to be accounted before arriving at the return on shareholders' funds (or net worth).

= Net margin on Sales x Turnover of Net Worth = Return on Net Worth.

As the objective of the enterprise is to optimise the surplus, it can be achieved either by optimising the net margin on sales, or turnover of Net Worth or a combination of both.

A single yardstick of Return on Net Worth without giving adequate weightage for net margin on sales, can lead to erroneous conclusions. Let us illustrate this with reference to an example. During 1977-78 as per the RBI Study (RBI *Bulletin*, June 1979) the profitable engineering companies earned a gross profit margin of 11.9 per cent and return on Net Worth of 15.3 per cent. On the other hand, the paper industry earned gross profit margin of 14.7 per cent but the return on 'Net Worth' is only 10.8 per cent. In spite of larger profit margin for the paper industry (14.7 per cent as against 11.9 per cent for engineering, i e, a lead of 24 per cent) the return on net worth shows a drop of 29 per cent (i e, 10.8 per cent as against 15.3 per cent). Paper industry has obviously charged higher prices to the consumers in relative terms but could not retain that surplus due to lower turnover of Net Worth. In other words the norm of 14 per cent on net worth (as being followed by the BICP) should be related to a standard margin. This could be a gross margin of 10 per cent or net margin of 4.5 per cent.

Margin x Turnover of Net Worth = Return of Net worth

4.5 per cent x X = 14 per cent

So X = 3.11 times

So if a company has a net margin of say 3.2 per cent but earned a return of 20 per cent obviously it has rotated its capital faster.

TABLE 2: AVERAGE RETURN ON NET WORTH AND SAVINGS BY SOME COMPANIES

	Average Return on Net Worth 1972/78 (Per Cent)	Total 1972-78 (Rs lakhs) Profit before Tax	Income Tax	Profit Ploughed Back	Taxes + Ploughed Back	Taxes + Ploughed Back as Per Cent of Total Profits
	(1)	(2)	(3)	(4)	(5)	(6)
(1) Hindustan Lever (excl revaluation)	19.1	10,950	6,929	1,798	8,727	79.7
(2) Chloride India	22.3	2,997	1,896	510	2,406	80.3
(3) Hoechst Dyes	20.7	1,339	915	270	1,185	88.5
(4) Indian Organic	19.5	2,241	933	967	1,900	84.8
(5) Siemens	19.4	4,647	3,025	1,123	4,148	89.3
(6) Century Enka	18.4	2,134	956	721	1,677	78.6
(7) J K Synthetics	17.5	7,061	2,890	3,128	6,018	85.2
(8) Century Spinning	17.3	11,645	6,223	3,716	9,939	85.3
(9) Pfizer	14.7	4,270	2,731	582	3,313	77.6

TABLE 3: AGGREGATE CCA ADJUSTMENTS OF SELECTED COMPANIES, 1977-78

(Rs crores)

		CCA	CH
Trading profit (before interest)		847	847
CCA adjustments:			
Depreciation	(331)		
COSA	(99)		
MWCA	4	(426)	
		421	847
Gearing adjustments	182		
Less: Interest payable	(308)	(126)	(308)
PBT		295	539
Taxation	(268)	(268)	(268)
PAT		27	271
Dividends		(141)	(141)
		(114)	130
			(Rs crores)
Balance Sheet		CCA	HC
Share capital: equity		1128	1128
Reserves: general			1316
Capital maintenance reserve			
Surplus on revaluation of:			
Fixed assets	2842		
WCA	(4)		
Gearing	(169)	2669	
Net Worth		3797	2444
PAT		27	271
Return on Net Worth		0.7%	11.1%

3.2 per cent x X = 20 per cent

So X = $\frac{20}{3.2}$ 6.25 times

Such a company has in fact been more efficient in the utilisation of its net worth, i e, without charging a higher price to the consumer has earned a larger surplus. This important aspect will not come to light if return on Net Worth is considered in isolation without giving adequate weightage for turnover of Net Worth. The norm of 14 per cent of return on Net Worth should therefore be tied up with a net margin on sale of 4.5 per cent. Incidentally the average net margin of the profitable companies as studied by the Reserve Bank of India (RBI *Bulletin*, June 1979) is 4.4 per cent in 1977-78 and the average return on net worth is 12.9 per cent. This gives a "turnover of capital" ratio of 2.93 times. So the suggestion of 4.5 per cent net margin as a standard is in line with the actual performance of companies.

Another important factor to be considered is the utilisation of the surplus.

Table 2 gives the average re on Net Worth as well as savings g rated by nine Indian companies du the period 1972-1978. It will be from the Table that (1) The aver return on Net Worth varies betw 15 and 22 per cent. (2) Th is a correlation between ret and savings. In almost all ca over 80 per cent of the surplus ge rated is provided as savings either the form of taxes and/or profits plou ed back. (3) Presumably the turno of Net Worth in all these cases h been faster than the average of 2 times as shown in the Reserve Ba of India sample.

The better performance of th companies has therefore been achiev as a result of more effective utilisati of resources which in turn has result in a substantial surplus at the natio level. Such conclusions can be eas drawn only if the concept of return Net Worth is seen together with ro tion of capital as well as savings ge rated.

LIMITATIONS OF PUBLISHED ACCOUNT

Are published Accounts adequate f computing return on Net Worth?

The Indian Companies Act sets o clearly and simply the purposes of company's published Accounts. The are that the Balance Sheet is r quired to give a 'true and fa view of the state of affairs of th company as at the end of th financial year' and the Profit an Loss Account a 'true and fair view the profit and loss account for the fi ancial year'. The Act carefully pre cribes the format for the presentatio of the Balance Sheet but, by implica tion, leaves the accounting professio free to decide upon the accountin principles to be used in the presenta tion, within the overall framewor that the Accounts presented to th shareholders should reflect a 'true an fair view'.

In India, as with most of the indu strial world, the accounting concep used in preparing information for th shareholders fall under the generic ter Historic Accounts. This ubiquitou term relies on certain clearly define concepts, namely, that of:

— "The Going Concern"
— "Consistency"
— "Accruals"
— "Prudence"

These principles lie at the heart of th accounting practice. Accountants usin them prepare:

LE 4: THE EFFECTS ON INDIVIDUAL INDUSTRIES

-Tax Profits	Per Cent Change in Post-Tax Profits
al sample	90
Metal products (ferrous)	Loss
Pulp, paper and products	Loss
Rubber products	Loss
Shipping	Loss
Textiles	Loss
Diversified	Loss
Automobiles and cycles	90
Machinery manufacture	79
Metal products (non-ferrous)	75
Chemicals and petrochemicals	69
Electrical equipment	54
Cement	25
Power generation and distribution	25
Food products	8

urn on Net Worth	Per Cent Change in Return on Net Worth
al sample	96
) Metal products (ferrous)	Neg
) Pulp, paper and paper products	Neg
) Rubber products	Neg
) Shipping	Neg
) Textiles	Neg
) Diversified	Neg
) Automobiles and cycle	96
) Chemicals and petrochemicals	84
) Power generation and distribution	72
) Electrical equipment	83
) Machinery manufacture	90
) Metal products (non-ferrous)	88
) Cement	66
) Food products	41

– Balance Sheets showing assets and liabilities at their original purchase cost subject to the convention that where the value to the business (in the case of fixed assets) or net realisable value (in the case of current assets) are lower, these lower values should be used. Liabilities are also stated at their original money value.

– Profit and Loss Accounts by matching revenues with costs.

his framework of law and account- principles has served shareholders l. Over the years, certainly in time price stability, it has adequately de- strated

– What shareholders' funds have been invested.

– Which investments (fixed assets, working capital, etc) have been made

– Through the annual Profit and Loss Accounts and the movement in Reserves how the managers of the business have exercised their stewardship in providing profits free for distribution to shareholders and reinvestment in business.

With rising inflation, this framework of practice, loosely regarded as Historic Accounting, becomes inadequate and dangerously misleading unless supplemented by additional information.

Now, what is inflation? Inflation is a decline in the general purchasing power of money. What is its relevance to accountants and businessmen? They are concerned with the 'measurement' of economic performance of corporate and other entities. For this measurement they use a *'unit'*. That unit is 'money' — whether it is rupees, dollars, pound sterling, or yen. At this stage, I would like to compare an accountant with a civil engineer or a doctor. They also often carry out measurements. When a civil engineer prepares the plan for a bridge, say half a mile long, he very carefully uses inches, feet, furlongs and miles in his plans. These units of measurement remain intact, not only while he is preparing the plan but also long after the bridge is built. The length of Howrah bridge including the tie-up built in 1943 is 2,100 ft. Even today it is so. Take the case of a doctor. He measures the temperature of a patient and prescribes medicines. The 104° Farenheit of 1960 is 104° Farenheit in 1979 as well. The unit of measurement does not change. Now look at an accountant. The Re 1 of 1960 is equivalent to 27.5 paise in September 1979. This is illustrated in the following Table:

	(Paise)
1960	100
1961	96.2
1966	66.2
1971	52.6
1976	33.8
1979 September	27.5

Deflator: All India Consumer price index.

In measuring corporate performance if we use the term rupee without any adjustment for its fall in purchasing power, are we doing the right thing? Will a decision based on such measurements be appropriate? The answer is obviously no. Considerable research work has been done in the UK, US and Europe in monitoring the impact of inflation on corporate performance. While the details of these are beyond the scope of this paper, the most common method is referred to as ED 24 in the UK. Under this method specific adjustments are made to Historical Profits for the following:

(1) Appreciation adjustment to allow for the difference between the value to the business of the fixed assets consumed in the period and the depreciation charged in the historical cost accounts.

(2) A cost of sales adjustment to allow for the difference between the value to the business of the stock combined in the period and the cost of stocks charged in the historical cost accounts.

(3) A monetary working capital adjustment to allow for the effect of price changes on the monetary working capital needed to support the operating capability.

(4) Where a proportion of the assets of the business is financed by net borrowing, a gearing adjustment is required in arriving at the current cost profit attributable to shareholders. This is calculated by

  (a) determining the proportion of the net operating assets which has been financed by net borrowing; and

  (b) multiplying the total of the charges or credits made to allow for the impact of price changes on the net operating assets of the business by the proportion determined at (a) above.

Let us now make an attempt to look at the performance of the Indian corporate sector (Table 3). I have used the ICICI study of the financial performance of 417 companies for this purpose. As data in respect of specific indices, etc, are not readily available, I have also made the following assumptions:

(1) The indices as are compiled by a large company in India for its internal use based on its experience for the past several years will be equally applicable to the sample companies. For example, a plant built in 1970 will have to be given an uplift of 218 per cent to arrive at its replacement value in 1978.

(2) As most of these companies have been in existence for more than 15 years as on 1977-78, it is as-

TABLE 5: RETURN ON NET WORTH BY CONVENTIONAL METHOD AND ON BASIS OF MARKET VALUE

Name of Company	Year	Return on Net Worth Conventional Method	Return on Net Worth on Basis of Market Value	Per Cent Drop
Century Enka Ltd	1978	27.6	13.14	53
J K Synthetics	,,	19.9	13.9	30
Nirlon	,,	16.2	10.3	36
Hindustan Lever Ltd	,,	21.0	11.9	44
Pfizer	,,	14.8	10.6	28
Chloride India	,,	21.2	8.2	61

sumed that an uplift of 218 per cent will be realistic. This obviously is equivalent to saying that their fixed assets were all acquired in 1970.

(3) Cost of sales adjustment have been carried out on the basis of movement in yearly average wholesale price (5 per cent) 1976-77/1977-78.

(4) Monetary working capital adjustment on the basis of movement in average consumer price index (8 per cent) 1976-77/1977-78.

It will be seen that for the sample as a whole (1) Profit after tax drops from Rs 271 crores to Rs 27 crores. (2) Taxation will remain the same as inflation adjustments are not allowable as a deduction in determining business profits for the purpose of taxation. (3) Dividend paid is in excess of profits, hence we are dipping into our capital or the basic substance of the business is being eroded. (4) Return on net worth drops from 11.1 per cent to 0.7 per cent.

If we now move to Industry groups, how have each of these groups fared? This is indicated in Table 4.

The return on capital employed based on 'Return on Net Worth' is a very sound concept in measuring corporate performance. However, if we have to achieve a 12-14 per cent return on net worth in real terms then on the basis of historical cost the return on net worth will have to be over 25 per cent. Therefore, accountants by profession in industry and in government will have to accept this and start looking at corporate reports more realistically. A company earning a 14 per cent return on net worth in India is paying dividend out of capital. A capital short economy like India cannot afford this.

There is need for some sort of capital allowance for fixed assets based on their replacement costs, for tax purposes. Very often the Indian official point of view is that we do have such allowance in the form of investment allowance, development rebate, etc. The answer to this is that in times of inflation investment allowances are not adequate. Even if they are adequate, it is not applicable to all industries — whereas the need to replace is there in the case of all industries. Hence capital allowance like investment allowance should be extended to all industries.

There is need to have a second look at our tax policies in relation to working capital. Stocks and debtors are as much part of capital employed as plant and machinery. The operating capability of a business depends not only on the investments in fixed cost, but also on the quantum of working capital available. In times of inflation, working capital gets eroded faster. This being the case, there is no reason why an inflation allowance like the investment allowance cannot be given for working capital. One of the ways of doing this is by permitting the LIFO method of valuation of stocks freely.

If the real substance of a business is eroded, it is only a question of time before its operating capability is reduced. We have several examples of sick units in the country. In fact, the total bank advances of over Rs 700 crores to sick units is a clear indication of the malady. There are three ways of tackling the issue:

(1) The community at large shares the burden; in this case the price mechanism absorbs the burden.

(2) A reduction in taxes will help, but this may not be feasible in India in any substantial degree as we have to find resources for development.

(3) A judicious combination of (1) and (2).

CONCLUSIONS

(1) The central economic objective of any business should be feasible and desirable profit. Profit or surplus of an enterprise is both return on investment as well as return on investment. Generation of surplus and deployment of the same in desirable directions therefore assumes crucial importance in a capital short economy like India.

(2) While we cannot rely on market mechanism entirely, price surveillance also will have to be used imaginatively. Our concepts on capital employed and fair return have been changing with the times.

(3) Return on net worth is a very sound concept but it should be seen along with other concepts like turnover of capital and utilisation of surplus.

(4) Published accounts on historical cost basis will have to be supplemented with inflation proofed results in determining the size of the surplus. Whereas in the past only arbitrary methods were available for monitoring the impact of inflation on corporate results, more recent research the world over has shown that one can be more scientific in this regard. In fact in the UK with effect from January 1, 1980 inflation adjusted results are also to be shown for companies with turnover in excess of £ 5 million. There is a need to remove the mental block from which all of us suffer — the difficulty of seeing the reality. Is it not simple logic that a return of 6 per cent on paid-up capital and reserve of 1948 is equivalent to at least 28 per cent in 1979, with the index number of wholesale prices for 1950-51 at 47.5 whereas it is 224 now (i e, 4.72 times)?

While I was struggling with ED24 a friend of mine who is a small time share broker in Bombay dropped in. As curiosity is very much a part of his personality, he asked me what I was doing. I tried to explain. He cut me short. This is very elementary for us, said my friend. He then asked me "Have you tried to work out the return on net worth the way we do, i e, net worth being worked out by converting paid-up share capital at the quoted market price? If not, please do it". I did it quickly for six companies and here are the results (Table 5). My friend looked at these figures and said: "We in the market are very simple people. We have simple methods of inflation proofing." I very much wish my friend joins one of the price regulatory bodies in this country!

Working Capital Management and Finance

Natarajan Sundar

Working capital management is vital both at the national level and at the corporate level.

Control on working capital at the national level is exercised primarily through credit controls. The Tandon Study Group has provided a comprehensive operational framework for doing this.

At the corporate level, investment in working capital is as important as investment in fixed assets. In operational terms, efficient working capital management consists of determining the optimum level of working capital, financing it imaginatively and exercising control over it.

THE subject of working capital management at the national level was critically examined, perhaps for the first time, by the Dehejia Committee in 1968, but purely from the point of view of financing of working capital. The Tandon Study Group examined the subject further in 1975 and provided an entirely new framework for working capital management and financing.

I

Capital Formation at National Level

Increase in inventories, a major component of working capital, constitutes about 14 per cent of the net domestic capital formation. Proper management of inventory and working capital is therefore important if only because the investment required comes out of national savings and the investment has now always been productive. The Dehejia Committee pointed out that during 1961-67 while industrial output increased by 110 per cent, bank borrowings by industry rose by 163 per cent. In fact after 1966 for a couple of years there was a recession and stagnation in demand and production: yet inventories and credit went up.

Furthermore, even optimal utilisation of fixed assets, which constitute the balance of capital formation, is closely related to efficient utilisation of working capital.

The fundamental problem of ensuring channelisation of scarce resources in appropriate directions and maximising return on capital employed has been looked into by the Tandon Study Group. It specifically tackled the problems at the micro-level in banks but, perhaps deliberately, avoided an exposition of its conceptual thinking on how bank funds can be used for achieving a higher order or better pattern of economic development: but its thinking is obvious.

It would basically like a higher credit multiplier. Towards this end it has suggested that an on-going enterprise should constantly strive to reduce its dependence on bank finance for its working capital. Banks funds so released can be used for catalysing industrial growth, or perhaps redeployed in accordance with prevailing national priorities.

II

Working Capital Management at Corporate Level

Efficient management of working capital has always been recognised by well-run enterprises as vital for their viability and growth. Increasing instances of corporate sickness in industries, such as textiles and sugar in recent years have, however, focussed much wider attention on the subject at the corporate level.

In operational terms, efficient working capital management consists of determining an optimal level of working capital, financing it imaginatively and exercising control over it. These are, no doubt, inter-dependent, for instance, any optimal level of working capital is academic unless it can be financed satisfactorily; equally financing a required level of working capital is an important task of a Finance Manager.

Axiomatically management means efficient management of resources. Efficiency of use of financial resources is judged usually by the return on capital employed. Current assets constitute 58 per cent of the total assets employed by 415 large private sector companies as per the latest RBI Study. And considering that fixed assets cannot be easily reduced, especially in the short-run, control over working capital gains even greater importance.

That not all Indian companies have in the past viewed control over working capital as critically important is another matter. Perhaps this is because in our 'sheltered economy', many could get away with cost-plus pricing and even government price controls have only reinforced this practice.

Inflation and Working Capital

Secondly, not many fully understand the impact of inflation on working capital and the extent to which profits are contributed by inflation and are therefore illusory. A simple illustration is provided in Table 1. On a FIFO system, the historical gross profit of this company is Rs 1,500, comprising Rs 500 real profit and Rs 1,000 holding gain. This creates two aberrations. First, the company pays taxes on the holding gain of Rs 1,000 as much as on the real profit of Rs 500 and is tempted to distribute part of the retained profit; and second, assuming for simplicity that the entire retained profit is distributed, funds at the end of the year, i e, Rs 1.000, will be inadequate to carry the real level of inventory. In the pre-bank nationalisation situation such a 'profitable' company could have borrowed Rs 1,000 against the security of stocks worth Rs 2,000 and carried on to the next year of euphoric existence!

At a compound rate of inflation of 7 per cent, p a, the price index doubles in a period of ten years, as indeed it did between 1970 and 1980. With a FIFO system of valuation during this period, a company's inventory value would have doubled in current money terms even without any growth. Putting it another way, 50 per cent of the closing inventory value is entirely fictitious: this would have been shown as profit during this period and on this taxes paid. 40 per cent of the taxes so paid would have been 'spent' by the government in non-developmental areas (going by the pattern of expenditure of the 1979-80 Central budget estimates). Quite possibly the company's need for additional funds would have been provided by banks, in turn derived from the savings of the country. In short, national savings, difficult to generate in an under-developed economy, would have been frittered away, thanks to a historical cost accounting system and an obliging banking system.

This could not have continued indefinitely. Even by use of conventional yardstick of adequacy of security, banks would at some stage have found it difficult to provide further finance —



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TABLE 1

Opening Stock	Purchased Replacement Stock	Sale of Opening Stock
100 units at beginning of year	100 units at end of year	100 units at end of year
Cost Rs 10 per cent or Rs 1,000	Cost Rs 20 per unit or Rs 2,000	Cost Rs 25 per unit or Rs 2,500

TABLE 2

	March 31, 1968		June 24, 1977	
	Amount (Rs crores)	Percentage to Total	Amount (Rs crores)	Percentage to Total
Large and medium industry	1,857	60.6	4,779	35.5
Food procurement	109	3.6	2,536	18.8
Wholesale trade	432	14.1	949	7.1
Others — agriculture, small industry, retail trade, etc	666	21.7	5,193	38.6
Total	3,064	100.0	13,457	100.0

and this is precisely when the sickness of many a company has come to light. It is not easy to resurrect a sick unit at this stage, because besides the owners and government having sapped it, the euphoria of good profits would have led to indiscriminate increase in overheads, most of which, such as that in wages, is not reversible.

III

Financing Working Capital

One of the reasons for the increasing importance being given to working capital management at corporate level is the difficulty in financing it.

There is a major difference between financing fixed assets and working capital. Investment in fixed assets has an *a priori* advantage: generally loans are available for the purpose and fiscal policies provide favourable circumstances for repayment of loans. During the asset's life time, depreciation itself earmarks a portion out of internal generation (i e, before tax) adequate for repayment of any loan taken. In practice accelerated rates of depreciation, investment allowance, tax holidays, etc, are available. On the contrary, plough-back for financing working capital has to come out of after-tax profits. This is difficult at any time and almost impossible during times of inflation.

Until the late sixties, working capital requirements could be easily financed out of bank borrowings. Bank credit which constituted 9-10 per cent of the total liabilities of private sector large and medium companies during 1950-55 increased to 16 per cent by 1964-65; correspondingly, advances to industrial sector as a ratio to total bank advances increased from 1/3rd to 2/3rd during the same period.

Nationalisation of major banks in 1969, however, set entirely different priorities to banks; sectoral classification of scheduled commercial banks' advances in 1977 compared to 1968 clearly reflects the trend (see Table 2).

In a planned economy such as ours, the government believes in having operational control over the country's entire savings and its deployment. As a result even avenues for finance other than bank finance get increasingly into Government control.

A case in point is public deposits : in addition to periodically reducing the limits upto which deposits can be accepted, government has provided fiscal disincentives : at present, 15 per cent of the interest paid is disallowed for tax purposes. 14 per cent interest paid to a depositor, therefore, costs a company in the highest marginal tax bracket an effective 21 per cent compared to 17 per cent for bank borrowings.

Raising of fresh equity for financing working capital of an existing company is unheard of. Recently, however, there have been instances of issue of rights debentures but the number of companies eligible to issue them and capable of attracting subscription is not very large.

IV

Working Capital Management at National Level

It is now worthwhile reviewing how we have attempted to manage and control working capital at the national level. Macro-level controls on working capital have been exercised primarily through the RBI and through

- Monetary controls,
- Selective credit controls, and
- Credit Authorisation Scheme and Tandon Study Group guidelines and procedures.

Typical of the RBI control measures are the steps taken by RBI during 1978-79 — increase in Statutory Liquidity Radio, stipulation of an incremental non-food credit-deposit ratio, reduction in extent of RBI refinance, and raising bank lending rates.

Without attempting a detailed evaluation of the success of such measures over the years, suffice to mention that the arbitrary crdit squeeze of 1973 and 20 per cent cut in large credit limits in 1979 are manifestations of RBI's inability to satisfactorily control credit expansion through such measures.

Why has this been so ? S K Rao has analysed the reasons in his paper presented at an RBI seminar held in January 1978. These are briefly :

- The number of priority candidates for credit is so large that meeting their credit requirements alone upsets the macro target for credit expansion.
- Public sector organisations use bank credit increasingly for stock holding. Considering that, for instance, food procurement credit ends up as liquid income in the hands of farmers, it is inflationary.
- To soften the impact of recession, credit is directed to sick mills. Possibilities of recycling credit so tied up are very low and the casualty is alternative use for fixed assets formation.
- Change in foreign reserves results in an autonomous factor in credit expansion.

In short as RBI measures by and large end up tightening the vice only on the large and medium industries, their effectiveness is limited.

Selective credit controls, in use for two decades, aim at restraining bank advances against the security of certain commodities such as sugar, cotton and kapas, vegetable oils and oilseeds like groundnut. The controls are normally exercised by prescribing ceiling limits on quantum of finance, minimum interest rates and margins on advances.

Efficacy of measures in controlling price increases of the sensitive commodities concerned can be seriously questioned on two grounds :

- These commodities are financed

TABLE 3

(Rs crores)

	1976-77	1977-78
Increase in current assets	369	385
75 per cent of increase in current assets	277	289
Less increase in current liabilities	181	263
∴ Permissible increase in bank borrowings	96	26
Actual increase in bank borrowings	117	83

TABLE 4

(Rs lakhs)

	Inflow PBT	Outflow Tax	Outflow Dividend	Utilisation of Borrowing Limit Alternative (1)	Per Cent to Limit	Alternative (2)	Per Cent to Limit
Dec				(800)	80	(2800)	93
Jan	167			(633)	63	(2633)	88
Feb	167			(466)	47	(2466)	82
Mar	166			(300)	30	(2300)	77
Apr	167			(133)	13	(2133)	71
May	167			34	...	(1966)	66
June	166	(400)		(200)	20	(2200)	73
July	167		(400)	(433)	43	(2433)	81
Aug	167			(266)	27	(2266)	75
Sept	166	(400)		(500)	50	(2500)	83
Oct	167			(333)	33	(2333)	78
Nov	167			(166)	17	(2166)	72
Dec	166	(400)		(400)	40	(2400)	80

largely through non-banking sources.

— A speculator operates on stock profit margins considerably higher than the interest cost and is indifferent to marginal increases in the interest cost.

These measures do, nevertheless, ensure that banks do not abet speculation. Between March 1971 and June 1979 while advances against these commodities did increase from Rs 425 crores to Rs 787 crores as a percentage of total bank credit they dropped significantly from 9.1 to 4.1.

V

Credit Authorisation Scheme and Tandon Study Group Scheme

The Credit Authorisation Scheme (CAS) started in 1965 with banks having to give RBI briefest particulars about the borrower and the purpose of an advance. It became in 1970 a vehicle for a virtual credit appraisal by RBI. In 1975 it was further modified incorporating the recommendations of the Tandon Study Group. Both the CAS as it now obtains and the Study Group recommendations merit a detailed discussion.

Starting with the assumption that "the level of current assets must be reasonable and based on norms", the Study Group has given concrete norms for inventory and debtors for 15 major industries. If the Study Group had not given concrete norms, its report would have become academic. Having however given the norms, its general refrain is as under:

— The work of 'prescribing' norms is a continuing one, and more industries should in course of time be covered.

— Depending on circumstances, variations from the norms are inevitable, but the norms prescribed should be treated as bench-marks and any variation justified by the borrower.

— While a bank cannot close its eyes to the factors guiding the policy of say Jute and Textile Commissioners, it should not underwrite inefficiencies of even other government bodies.

Questioning the norms *per se* will therefore mean ignoring the flexibilities provided in the scheme. Nevertheless, the following comments can be made:

— The Study Group assumes that the banker can understand and appreciate factors occasioning deviations from the prescribed norms; and further that the banking system, consisting of a long line of hierarchy from the branch of a bank to the RBI, is capable of speedy communication and decision-making. Neither assumption is valid.

— As a general rule, control over an inefficient sector of a system can and should be exercised by a more efficient sector. Few would disagree that banks themselves need considerable toning up. A case in point is 'cheques discounted' by banks. Facilities for discounting cheques are considered by RBI to be part of the maximum permissible bank limit. The moment one accepts that 'cheques discounted' are liabilities of a borrower (although this is contrary to accepted accounting practice), moneys due on cheques so discounted must be deemed assets and the immediate question will be a 'norm' for this asset. On technological considerations, much the same way the other norms have been arrived at, it cannot be more than four or five days — although in practice banks take an average of at least 15 days for collecting outstation cheques.

— Thirdly, in the ultimate analysis thinking has to be given to the subject of inventory holding at the national level and methods found for exercising control over other sectors of the economy such as agriculture and trade as well.

METHODS OF LENDING

The main function of a banker is to supplement borrowers resources. Even for carrying a reasonable level of current assets, only a minimal part of the financing will be provided by commercial banks. The Study Group has concretised this by recommending adoption of three Methods of Lending with progressively increasing current ratio and therefore increasing contribution from long term sources, comprising owned funds and term loans, in financing working capital.

Unquestionably, improved current ratio reduces chances of industrial sickness. Equally, on a macro-level if banks were to catalyse growth, funds locked up in existing units have to be gradually pulled back.

A lot of criticism has nevertheless been voiced against Method III. Commercial banks' advances to large and medium industry was Rs 4,462 crores as on June 25, 1976. If one assumes that the pattern of current assets and liabilities as per the latest RBI Study on "Selected Financial and Other Ratios: Private Corporate Sector 1970-71 to 1975-76" is valid for industries covered by these advances, they have

to generate Rs 2,379 crores from long term sources to reach a current ratio level of 1.55 (less than the hypothetical case assumed by the Study Group under Method III). Banking lending will then laudably get halved but how do these industries find Rs 2,379 crores? In fact during 1978 Non-Government Public Limited Companies just raised Rs 68.1 crores as fresh capital, including about a quarter of it by FERA companies. And very little of plough-back for financing working capital is possible.

Implementation of even Method II is proving to be difficult. For the 415 large public limited companies, while inventories as a percentage of sales dropped from 30.4 in 1975-76 to 26.3 in 1977-78, short-term bank borrowings as a percentage of total inventories actually went up from 47.2 to 50.3.

Looking at the Sources and Uses of Funds of these companies and applying Method II of lending only on the incremental portion of the current assets, the picture that emerges is as shown in Table 3. As a consequence, the current ratio worsened from 1.32 in 1976 to 1.30 in 1977 and 1.28 in 1978.

Follow-Up System

To provide a continuing basis for informed dealings between the banker and borrower the Study Group has provided for a comprehensive reporting system. While accepting the basic logic, one must emphasise that information system should be simple and selective so that information flow is fast and problem areas get timely attention.

The system therefore needs to be modified, say by linking up the frequency and extent of follow-up with the extent of dependence on bank finance. For, unexceptionably, greater the borrowing, greater is the risk to bank finance and greater the scope for misuse of bank finance. Banks should further delink information required for their own credit planning from information required for exercising control over borrowers. A suggested scheme is as under:

For borrowers :

Worse than Method I: The total system prescribed by Tandon Study Group

Between Method I and Method II: Quarterly fund flow statement as prescribed and annual appraisal

Better than Method II: Quarterly estimates of expected average and peak levels of borrowing and annual appraisal.

Since early 1970s the Reserve Bank has been trying to institutionalise a system of Credit Planning for the banking system. The cash credit style of lending was considered by the Study Group to be a hindrance to this effort. It, therefore, proposed bifurcation of the annual credit limit into a fixed loan component and a demand cash credit, the latter to take care of fluctuating requirements. Interest is to be charged on the fixed loan component throughout the year, and a higher rate of interest on the cash credit portion.

This however, contradicts the Study Group's other recommendations. For instance, a company in Method III of lending will have only the 'real' current assets financed by the bank, resulting in a fluctuating utilisation of credit. The company will, therefore, pay higher interest, which is particularly unfair because its cost of capital is already high as a large portion of owned funds is used.

Secondly, once a bank decides to deploy a certain quantum of funds in industry, factors guiding choice of companies within the sector should be:

- The type of activity in which the company is engaged.
- Its financial soundness, efficiency and credit-worthiness.
- Extent of finance required and therefore the risk involved for the bank.

Bank's earnings by way of interest from a company that comes off better in reckoning on the last two factors will be less but compensated by lesser risk and follow-up work.

Thirdly, meaningful credit planning at bank level should and can come out of the budgeting/reporting system between the bank and borrowers.

Lastly, banks must recognise the factors, such as the following, causing fluctuations in utilisation of credit facilities.

- Seasonality of the industry.
- Size and geographical spread of the company's operations.
- Extent of the credit limit in relation to profit before tax, tax and dividend.
- Extent of the credit limit in relation to the current assets and sales.

The impact of the first two factors on utilisation is readily seen. The impact of the last two is explained below.

Impact of Tax and Dividend Payments

Assume that a company makes a profit before tax (PBT) of Rs 20 crores, tax provision being Rs 12 crores and dividend payment Rs 4 crores; tax typically being paid in three equal instalments in June, September and December, and the dividend in July.

If the company has a credit limit of Rs 10 crores and an opening utilisation of Rs 8 crores, the level of utilisation, ignoring the impact of changes in any other component of working capital, will be as shown under alternative 1 in Table 4. Under alternative 2 is shown the position of a company with a limit of Rs 30 crores and opening utilisation of Rs 28 crores. It is readily seen that owing to tax and dividend payments alone there are rather wild fluctuations in utilisation of borrowal limit and the extent of fluctuation with reference to the limit will depend on the extent of the limit itself.

The industry averages of the overdraft levels for companies with paid-up capital of Rs 5 crores and over (based on RBI publication of October 1978) and assumed figures for company A are given below:

	Industry Avg	Assumed for Company A
Bank borrowing / Current assets	0.44	0.21
Bank borrowing / Net sales	0.14	0.06

If there is a 2 per cent increase in current assets or a delay in sales realisation for two days, additional cash credit required as a percentage of existing cash credit is as in Table A.

In summary a bank must accept that a certain amount of fluctuations in utilisation of credit limits is inevitable for any borrower depending on various factors; most importantly, lesser the bank borrowing greater will be the

Table A

(Percentage)

	Additional Cash Credit Required	
	Industry Avg	Company A
For 2 per cent increase in current assets	4.5	9.5
For a 2 days' delay in sales realisation (assuming 250 effective working days per year)	2.9	6.7

fluctuation. Bifurcation of facilities and the interest differential proposed is unfair to good borrowers and banks have to learn to do credit planning on the basis of information flowing to them from borrowers.

VI

Working Capital Management at Corporate Level: Some Issues

It is not the purpose of this article to go into the mechanics of determining optimal level of working capital but just to highlight some areas.

A company should normally find a five-year horizon for planning and appraisal worthwhile; and a longer span when it embarks on major projects. The exercise should throw out as one of the final documents an analysis of working capital requirements and a statement of sources and uses of funds. Similar statements in grater detail should be prepared on an annual basis for the next year and updated quarterly.

In practice, quarterly fund flow statements should be supplemented by monthly, weekly, even daily receipts and payments statements, showing clearly the actual movement of cash. The former shows the movement of funds, between, say, the beginning and end of a quarter and cannot therefore show peaks and troughs of cash balances or overdrafts during the period, especially the impacts of large cash withdrawals for payment of taxes, dividends and for bunched imports.

For the 1,650 companies covered by RBI Study, book debts approximate 45 days' sales. Some industries, like iron and steel and electrical machinery, have a very high trade credit and some, like plantations and sugar, very low credit.

While it is not easy to break away from an existing trade practice, some facts about trade credit are worth mentioning:

— Role of trade credit in marketing of consumer products is often exaggerated. The consumer rarely gets credit and it is he wh creates the ultimate demand trade can at best provide effecti distribution. If the other marke ing inputs, especially an awar ness of consumer needs and a propriate product characteristic are lacking all that trade cred would achieve is holding add tional stocks in the pipelin against credit given by the manu facturer! It is significant to not the difference between the non too successful performance o many textile mills which continu to give credit and the highly suc cessful performance of some in international companies whic hardly give any credit.

— Trade Credit is a 'monetary as set': inflation constantly eats in to its value. Three months' credi on Rs 100 in a period of 10 pe cent annual inflation means tha by the time money is received i depreciates by 2½ per cent.

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— The initial task of appraising customers and granting credit, and follow-up and collection of outstandings, especially dealing with delinquent customers, are costly to administer.

About 7 per cent of the current assets of a typical Indian company is cash. Not in all companies is this a planned desired level. In many cases this includes moneys in transit and cheques under collection, whose level is high because the company has not learned to cope with the banking system.

First, all outstation cheques and bills should be discounted and not sent for collection. As discounting charges, banks should be paid not on the basis of number of days they actually take but on the number of days they ought to take, say 5 days to 7 days. After all if banks are to be the watchdogs on efficiency of management of industries financed by them they should themselves set the standards!

Secondly, a company will find operating a centrally controlled bank account worthwhile and it should work out arrangements for speedy transfer of funds to the central account.

Inflation Adjustment

It is now generally recognised that profits recorded as per historical cost accounting system needs to be adjusted for the impact of inflation so as to give a realistic indication of the profits earned. The final word on an appropriate method for doing this has not yet been said and it might be quite some years before the fact that real profits are lower than profits as per historical cost accounting system is recognised by the income-tax authorities. In the meanwhile, it is still important for the managements of companies to have an idea of the extent of adjustment involved.

Methods currently being tried generally incorporate the following two as essential features of an inflation adjustment system:

(1) A charge to the revenue account of a depreciation related to the replacement cost or current cost of fixed assets as against their historical cost; and

(2) a charge for cost of sales in the revenue account reflecting the value to the business of stocks consumed during the year.

The latter of the two is relevant to the subject of working capital. A quick calculation of the cost of sales adjustment for the sample included in the ICICI financed companies shows that it equals almost 1/3rd the profit after tax during 1978-79.

The current practice of some of the large Indian companies with international linkage is to look at inflation accounting as a system that constantly reviews whether the substance of the business is being maintained or eroded. As far as working capital is concerned this is done as under:

— compute the portion of working capital financed out of owned funds;

— compute how much this money has to increase during the course of the year because of inflation and

— calculate how much after tax profit is required to be earned to ensure the desired accretion to owned funds.

It is interesting to evaluate the performance of the group of Silk and Rayon Textile Companies in this context. This group has a very high current ratio and therefore comes nearest to Stage III of the Tandon Study Group Scheme. Against a profit after tax of Rs 8.1 crores made by these companies during 1978, assuming an inflation of 6 per cent, they needed Rs 2.77 crores just for sustaining owners' interest in working capital.

As already discussed at length, the Tandon Study Group rightly points out that banks cannot finance working capital requirements of industries neither to the extent nor in the way they have so far done. Equally rightly, it prescribes efficient management of working capital at industry level and exercise of continuous control by banks as a remedy; but this is only part of the solution. The more basic aspect of the solution is to ensure and permit adequate plough-back in industries. How do we do this?

— Permit companies to make profits adequate for plough-back including impact of inflation after providing for taxes. First, this will require a major attitudinal change on the part of the society and government on concepts of adequacy of profits and inevitably lead to high prices. Second, this will mean that government will continue to get taxes on profits which are just a reflection of inflation and not any real surpluses of output over input and spend them not necessarily for development.

— Permit companies some adjustment for inflation in their profits so that only genuine profits are taxed. This is not going to be easy to implement either. First, it will mean lesser revenue to government which already resorts to deficit financing. Second, we have to enforce a new corporate discipline for making certain that profits identified as being due to inflation and therefore permitted to be ploughed-back are not syphoned off. Lastly, any attempt to show lesser profits is always looked upon with suspicion by the unions and labour.

In short there are no soft options, but a conscious choice considering all the facts has to be made.

VII

Conclusions

(1) The subject of working capital management is important at the national level for ensuring maximum capital formation.

(2) Control on working capital at national level is exercised primarily through credit controls. The Tandon Study Group has provided a comprehensive operational framework for doing this. It has to ultimately lead to a mechanism for meaningful credit planning at the national level but the success in implementation of the scheme will largely depend on the efficiency of the banking system itself and its ability to understand the working of industries.

(3) The impact of inflation on the profits as measured by the historical cost accounting system has to be recognised; and a realistic approach on prices, profitability of companies and their taxation evolved.

(4) At the corporate level investment in working capital is as important as investment in fixed assets and especially for a company which is not growing, survival will be possible only so long as it can match increases in operational costs with improved operational efficiency — one of the most important aspects of which is management of working capital.

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Framework for Credit Planning

Bhabatosh Datta

Framework for a National Credit Plan edited by S L Shetty, National Institute of Bank Management, Bombay, 1979; pp 256, Rs 50.

OLLECTIONS of seminar papers are nerally like the curate's egg, unless e editor has the courage of weeding t the pedestrian or indifferent pieces. is a pleasure to be able to say that e papers read at the Seminar on Cre- Planning organised by the National stitute of Bank Management in July 78 are almost without exception of a el that is not always reached. It is sy to be vaguely persuasive about ything that has 'planning' as its sub- t-matter and sometimes the plea for nning serves as an alibi for precise inking and detailed analysis. It often ems enough just to hold that credit, e other instruments of policy, has to planned, but it is rare to find the aracter and contents of credit plan- ng examined in depth on the back- ound of the planning of the economic ocess as a whole.

It is this task of a comprehensive amination that the NIBM Seminar dertook. The editor has very clearly scribed credit planning at the na- nal level as "a multi-dimensional d comprehensive exercise involving) monetary budgeting, (b) budgeting financial savings to be mobilised by rious financial intermediaries in neral and by commercial banks in rticular, (c) macro-level credit alloca- n among sectors, industries and re- ons, and finally (d) the evolving of struments and mechanisms to get the acro-projections translated into micro- vel decision-making". It is the fourth ement that often proves crucial in taining an efficacious allocation of edit, after the macro-level decisions ve been carefully worked out. But ere are "conceptual, estimational d analytical issues" involved at every ep of the exercise. It is in these ues that the papers have engaged emselves.

Why Credit Planning?

It would not have been necessary K S Krishnaswamy to ask in his ynote address the question "Is a tional credit plan necessary and re- ant?" if Kanta Ranadive had not ted, as have many broad-brush writ- s on planning theory in the past, at "it cannot be scarcity of finance but of real resources that is the only bottleneck". Ranadive's logic is unassailable under ideal conditions, but in real life real resources have to be activated and there are alternative ways of using the real resources. The dichotomy she suggests between "the source of demand for finance" and "the end use of finance" is certainly relevant where the evaluation and monitoring process is imperfect. The other dichotomy between "basics" and "non-basics" emphasised by her conceals a large variety of difficulties. Her classification is not the same as Sraffa's and what she presumably means by "basics" is the group of commodities which rank high in the ordering of social priorities. And then a more fundamental question raises its head: who lays down the social ordering?

Ranadive's paper covers a wide ground and goes to the roots of the economic problem. Perhaps it would have been more useful as a part of the present work, if more attention were paid to the concrete problems of financial and real allocation. The right place for the paper would then have been alongside the essays of Amal Sanyal and Amiya Kumar Bagchi, both of whom enter into the fundamental problem of production relations. The reviewer feels that the first two papers in the collection should have been D N Ghosh's informed and perceptive essay "Credit Planning and Banking System — Some Issues", which sets very ably the background for the entire discussion, and Nalini Ambegaokar's essay on the Existing System of Credit Planning in India, which gives an account not only of the credit planning system as operative now, but also of the Reserve Bank exercises in the framing of a "monetary budget". One should not try to pick holes in her statement that "care is taken to see that the estimated quantum of money supply expansion is in line with the expected growth rate of the output and the estimates in regard to prices", or to show that there is a circularity in logic in making the money supply plan dependent on price estimates. She recognises that the behaviour of the government sector is "more unpredictable" than the behaviour of the commercial sector in influencing the total of domestic credit expansion.

Reserve Bank's Exercises

A Vasudevan is more forthwith on this. He shows how the RBI forecast of money supply for 1961-66 was substantially below the actuals. The explanation given by Pendharkar and Narasimham at the time in terms of changes in the income-velocity of money did not provide a testable hypothesis, for all one knows about the velocity is the *ex post* ratio between realised incomes and year-end money stocks. One can plan for a desired and feasible national income. Given the income-velocity of money, there will be a relevant order of money supply. But there cannot be any independent optimal velocity of money, the deviation from which can be taken as a basis for analysis. Perhaps a more meaningful explanation would be found in terms of the ratio between bank reserves and bank money, but here the fact that the major variables are variously 'administered' limits the predictive value of the exercises. Vasudevan's statistical exercise is very interesting, but it remains difficult to explain the sudden spurts in the ratios and in the differences.

The Reserve Bank's exercises of course continue, though the results are not published. And the main uncertainty in any prediction arises from the variability (generally in the upward direction) of the net bank credit to the government sector, which is the largest contributor to the total domestic credit expansion and which, for obvious reasons, is largely independent either of the treasury bill rate, or of the long-term bond rate. This applies not only to the bank credit to the government itself, but also to the total of the public sector borrowing requirement met by bank finance. It is difficult to understand what is the precise operational implication of R K Sashadri's statement that the Reserve Bank has "to play safe". The best-judgment criterion is probably unavoidable, but it is helpful to non-official students of monetary problems, if the best judgment estimates are published after a reasonable time-lag.

It would have been useful to the reader, if T S Venkatachalam had developed in fuller detail the results of his statistical exercise in his paper on Macro-level Monetary Target-Setting.

His own "close examination" is stated to reveal that adequate explanations of the demand for demand deposits is provided by an equation in which the determining variables are the nominal income, interest rate on twelve-month time deposits and the proportion of non-agricultural income to the national income, the third factor being particularly significant. The demand for time deposits also depends on the first two variables listed above and on the yield on long-term government bonds. Perhaps the absence of substitution between commodity holdings and the holding of time deposits is due to market segmentation. The important fact that remains to be explained is the indifference of the depositors to the decline in the real rate of interest, sometimes down to a negative level.

V S Chitre's paper on Seasonal Dimensions of Credit Planning in India is a commendable exercise which begins by asking the right questions, including that of distinguishing the normal holding of stocks from speculative or monopolistic holding. After a survey of existing literature and a fairly detailed econometric analysis of the seasonality in Indian economic activity, Chitre tries to discover the gaps between the "normal-seasonal" and "actual-seasonal" shifts in commodity stocks and in money supply. The shifts are defined in terms of the actual ratios between the busy season observations and the slack season observations, and the "normal" in terms of the ratio between the relevant trend values. It is easier to measure the seasonal divergences in bank credit than the shifts in stocks of commodities, but Chitre has used the available material effectively and discovered that the "ratio of actual to normal-seasonal shifts shows extreme year-to-year volatility of stock-building activity". This does not answer the question about the quantum of 'excess' holding of stocks which could be described as speculative or monopolistic, but the findings should provide useful guidelines in deciding on the seasonal credit policy.

Impact of Interest Rates

Another interesting econometric study is that on Bank Deposits and Interest Rates by C Rangarajan. The conclusions reached are, first, that deposit holders are influenced more by the money rates of interest than by the real rates; secondly, that the degree of substitution between commercial bank deposits and other financial assets is weak; and thirdly, that the rates of interest affect the type of deposits preferred by the savers and that the dominant factor affecting deposits is the nominal income. These conclusions are in line with the findings of Venkatachalam, except that the latter has discovered an important determinant in the ratio between non-agricultural income and total income. If non-agricultural income has been an effective causative variable even in recent years, the expansion of commercial banking in rural areas has not yet produced the expected results in the field of deposit mobilisation.

It is unfortunate for the reader of the volume that two valuable papers by the editor, S L Shetty, have not been included in the collection on the ground that both of them have been published elsewhere. One of these — on the Sectoral Distribution of Credit — was at least discussed in the Seminar, but the other appears to have been bypassed. Another paper which was presented at the Seminar, but has not been printed in the present volume is on Inter-State Redistribution through Institutional Finance by I S Gulati and K K George. The findings and ideas contained in all these papers have already reached a wide body of readers, but the reason for not printing them here is not convincing. There may be good grounds for excluding a few papers but a Seminar report should report fully the really good work presented by the participants. Shetty's two other papers which have been included in the volume are workmanlike. The general position regarding inter-state disparities in credit-deposit ratios and the problems arising from the insistence on a specified ratio in rural areas are well known, but it is useful to see the arguments supported by carefully processed statistics.

It is necessary to comment at this stage on a few papers which go somewhat beyond the specific subject matter into some of the basic problems. Ranadive's paper has already been mentioned. Amiya Kumar Bagchi calls his paper "Finance: Demand and Technology in India's Industrial Growth", but it is less an essay on finance than on demand and technology. It is not difficult to substantiate Bagchi's statement that the supply of industrial finance has been "partly determined by factors endogenous to either the industrial sector or the banking system" or that the policies pursued by the financial institutions "have aggravated rather than mitigated certain types of regional inequality". He does not however indicate what the optimal credit planning policy should be in the present conditions, or in realisable improved conditions. He gives a but excellent analysis of the f determining the size of home de and technological choices. His conclusion for a larger public s more intensive intervention by go ment planners, more egalitarian d bution of incomes and assets and "pervasive change in production tions" will be accepted by many, the plea for long-term changes bec strengthened if it is accompanied plans for short-term action.

Amal Sanyal writes in the same He gives an outline of an exe which would rest on three sets parameters: first, the distribution credit given to different sectors mo out in different proportions am wage-earners and non-wage earn secondly, the spending habits of t two groups, and thirdly, the rates which the outputs of wage-goods non-wage goods increase as a resul the credit allocation. This is of co the standard allocation-distribu model starting with different consu tion propensities of workers and pr earners and one can work out al native results with alternative sets assumed parameters. Sanyal goes ther and argues that the use of cre by profit-seeking entrepreneurs for creasing the output of wage-goods squeeze their own share in the tional income and therefore they either use the credit for other p poses or will take steps for mainta ing or increasing their shares. T political-economic conclusion that f lows from the statement that "cre can be used in boosting income a output as long as the capitalists as class find it useful" is clear, but would have liked a detailed analysis the suggested model indicating particular conclusions that will foll from the different ranges and signs the values of the parameters and in pendent variables.

Credit and Planning

Reference has already been made D N Ghosh's basic paper on Cre Planning and the Banking Syste There are two papers which go behi all this and study the integration credit planning with economic pla ning as a total exercise. One of the written by D R Gupta, does not beyond a few generalities, but t other by C Rangarajan does at le point out the difficulties in combini physical target-setting with the pla ning of credit. His suggestion th "the task perhaps may be simpler whe there is only one bank for each dustry as in some socialist countrie

ot workable unless the country be- es really socialist, for the difficulties nter-bank allocation will be stu- ious in an economy in which four- s of the output is produced in the ite sector and there is a constant -play of strategies and counter- egies between the planning autho- s and private pressure groups. e can probably be a full seminar examine the question of linking it policy with the development s.

here are papers on the procedural organisational aspects and one of e, by P V Maiya, suggests a sys- of penalties for borrowers delaying submission of progress data and rds for those acting on time. Sug- ons like these have to be worked at the bank management level, but are not likely to go very far in present conditions. S K Verghese ed expectations in her paper on Foreign Exchange Reserves, but while she has given a good account of the issues involved, the paper has not gone into the relevant problem of foreign exchange budgeting as a part of the general credit plan. M L Dantwala's contribution is not a new paper, but a chapter of his widely-read Report of the Review Committee on Regional Rural Banks. It appears however from the minutes of the proceedings that Dantwala took a very active part in the discussions and many of his comments are illuminating. In fact, the whole summary of the discussions has been very efficiently prepared and a reader who wants to get a quick view of the whole problem cannot do better than reading the first 55 pages of the volume, which include a summary of I G Patel's valedictory address. It is however hoped that students of economic policy in India will read carefully the whole volume which is probably the most useful work on the subject that has been published up till now.

Politics of Illusion

Radhakant Barik

dian Revolutionary Movement Abroad, 1905-1920 by T R Sareen, erling Publication, New Delhi, 1979.

political categories of nationalist riography are loose and do not ex- n the compexities of Indian poli- The weakness of the nationalist rians is that they are unable to blish organic links between different ents of the national movement. se historians crumble when they y the question of the political ership of the national movement. y become victims of myth building. ir over-glorification of elite leader- serves definite political purpose y. It is not in the semi-feudal ntryside but in modern academics patriarchal ideological relation- s exist between the academic elite the ruling political elite. They re local popular heroes or 'un- lished minds', those who have ex- ed 'small things' but have not en 'big things' as their counter- on the national plane. The main ce of such historical writing is e leaders' spoken words without ng them with political parties. y famous academic historians are ms of this faulty understanding. example, S Gopal has compared u with Mao and Fanon, reducing parative historiography to historical ogy.[1] The same confusion prevails nany historians who highlight the lled conflicts between liberals and mists, Gandhi and Nehru, liberals and radicals.

The weakness of these historians is in application of a definite historical model which explains the short-term and long-term dynamics in Indian politics. Indian national movement was a bourgeois passive movement.[2] It was passive because the bourgeois leadership under Gandhi and Nehru tried to control mass activities in politics. They never gave a chance to mass creativity to unleash itself. Even when the masses threw their own strata of intellectuals from their ranks, these local popular heroes were either harassed or manipulated by the elite. These local popular heroes who fought against the feudal tyranny and suffered from the brutalities of the colonial police also suffered harassment at the hands of the bourgeois political leadership.

These local heroes might have lacked Western education, but they learned from their political experience and day-to-day struggles. They could speak and think clearly on the social, political and eeconomic quesions; but were shy of writing. Historically, they became unpublished minds. Their relationship with the masses was much more close on the emotional, intellectual, political and ideological planes. They are unlike Nehru who says "I was thrown, almost without any will of my own into contact with the peasantry, I got entangled in the Kisan Movement".[3]

The basic social function of bourgeois leadership is to create bourgeois ideology which helps the social, political and ideological reorganisation of the society. In a backward capitalist society bourgeois ideology is a multi-coloured and complex. For the formation of the ideology Indian capitalist class depends on the many political leaders who contributes towards different facets of this ideology. Gandhian revivalism, Nehru's liberalism, JP's romanticism are different segments of the same ideology.

If one separates different facets of the ideology without interlinking all these elements, then every segment looks much more glamorous and alluring and serves the purpose of politics of illusion. The post-colonial political system in India survives even while facing severe economic crises because of this ideological hegemony.

The history of national movement during the 1940s is crucial for understanding the complex versatile character of this elite leadership when they were threatened by the parallel popular national movement. Politically, intellectually and ideologically they compromised with imperialism on the question of partition; and immediately after independence their main work was to crush the parallel and unfinished national movement which was going on in different parts of the countryside.

T R Sareen is at the periphery of the same historical understanding of the Indian national movement which uses false political categories without any specific historical contents. For him, Savarker, Chattopadhyay, Madame Cama, Hardayal, all were "revolutionaries". Even his research shows that Savarkar was the old man out who could not get the support of other Indian intellectuals abroad. On the contrary, Hardayal succeeded in forming the nucleus of the Ghadar Party and Chattopadhyay helped in the foundation of the Communist party outside India. Many powerful intellectuals actively participated in the formation of the revolutionary clubs all over the world. But the author in his conclusion has ignored his own findings and has overglorified Savarkar.

Notes

1 S Gopal, "Jawaharlal Nehru: A Political Biography", Volume I, London, 1975.

2 R K Barik, "Rise of Bourgeois Radicalism in Indian National Movement, 1934-1939" (unpublished).

3 J Nehru, "Autobiography", London, 1938, p 49.

Iran and Arabs

Surendra Bhutani

Politics in the Gulf by M S Agwani; Vikas, Delhi, 1978; p 199, Rs 60.

MOHAMMED SHAFI AGWANI has all the proper credentials to walk on the oily path of the Persian/Arabian Gulf, though he has been a little too cautious in his assessment of the developments in the area during the past three decades. The author's approach to the Gulf politics is realistic. The energy crisis indeed brought the Gulf into international prominence and consequently it has become one of the focal points of superpower competition for political influence and economic gains.

Part I of the book dwells on the area's political systems emphasising the interplay of economic progress and political modernisation. Here the term 'modernisation' has its own set of values, not necessarily comparable with such a process in other areas.

At the end of the Second World War, Agwani says, "the Gulf stood at the threshold of a new era as decisive as the arrival of the Portuguese at Hormuz in 1506 or the establishment of *Pax Britannica* in the Gulf waters about three centuries later". As a result, even after the oil price hike beginning November 1973, most of the Gulf politics continues to represent an awkward combination of 13th century native political institutions and ultra-modern foreign oil technology. According to Agwani, the gap between the two is widest in Saudi Arabia, Oman, Qater and the UAE and narrowest in Iraq and Iran. But none of us could foresee — and Agwani is no exception — the developments in Iran, one of the countries where, according to Agwani, the gap between traditional values and modernising influence of high technonology had been quite narrow, and its implications for the other Gulf states. Indeed, Agwani does not discuss the role of Islam at all throughout the book — surely an important omission.

In the second part, Agwani describes the sources of regional conflict and foreign policy orientations of all the states of the Gulf. According to Agwani, British withdrawal from the Gulf has made the Arabs even more insistent on the Arab identity of the Gulf (p 51). So long the imperialists were there they kept on creating difficulties both for the Arabs and the Iranians. But the imperialist legacy is still there — or at least was there in Iran during the Shah's regime. For example, the Shah's decision in May 1970 to relinquish his claim to Bahrain as an 'act of political realism' was accompanied by the occupation of the Tunb islands in the Strait of Hormuz, at the behest of the foreign oil companies.

In elucidating the Iranian foreign policy orientation, Agwani has surprisingly relied heavily on the western sources, including Zionist sources (p 79). Perhaps he is trying to underline the close co-operation that existed betw Israel and Iran under the Shah's gime. But in the case of Iraq, he rectly predicts that Iraq "may tempted to move towards a policy equidistance in regard to the su powers", once the high tide of Ir Iranian friction is passed (p 95).

In the last part of the book Agw provides a clear picture of the su power interaction in the Gulf. I do object to his choice of relevant mate in drawing his conclusions, but w is less easy to understand is the cessive dependence upon Western so ces even while describing the Sov objectives in the Gulf. Indeed, the bo cites not a single Soviet source.

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Rule Making for Scheduled Castes

Analysis of Lok Sabha Debates, 1962-71

G Narayana

Studies of political elites among scheduled castes often emphasise their social background. Such studies, while no doubt contributing to the understanding of inequalities in political power distribution, do not explain the value commitments of these elites, or their contribution to the formulation of public policies.

In this article an attempt is made to analyse the type of scheduled caste problems discussed in the Lok Sabha during 1962-71, the nature of participation in the debates by the scheduled caste members of parliament, and the policy outcomes of such debates.

SCHEDULED CASTES form one of the most exploited sections of our society. Few people may disagree with this observation but many sharply differ on the strategies for alleviation of the conditions of the scheduled castes. The architects of our Constitution, rightly or wrongly, considered the reservation of seats in various spheres of social life, along with several other social welfare measures, as one of the potential means of reducing inequalities. However, the evaluation of results of reservation policy show the emergence of separate class within scheduled castes.[1] Most of the studies dealing with such evaluation are based on the social background of the scheduled caste population making use of the social welfare measures. Two important things are not clear from such studies: one, is this phenomenon of elite formation unique to the scheduled castes? Second, do the scheduled castes alienate themselves from others once they join elite groups? We mainly confine ourselves here to the latter question and deal with the political elite among scheduled castes elected to the Lok Sabha in the period 1962-71.

The scheduled caste political elite elected to the Lok Sabha may identify themselves with the needs and interests of scheduled caste population or dissociate themselves from them as a consequence of their own social mobility. Therefore, the analysis of social background of the members by itself does not explain value commitments or policy outcomes to which the elite members in question may contribute. One of the meaningful ways of knowing the commitments of the scheduled caste political elite at the national level is to analyse their participation in decision-making process, particularly on problems relating to the scheduled castes population.

There are two different levels of participation in the Lok Sabha: (1) asking questions (oral or written) either to elicit the necessary information or to prepare the ground for influencing decisions; (2) participating in debates where important resolutions are moved, bills passed and statements made. While the former constitute the indirect or the preparatory phase of influencing decision-making, the latter is a more direct way of taking decisions. Here we are concerned with the latter part, i e, Bills, official as well as private, Discussion of Reports, and Calling Attention Motions in the Lok Sabha on scheduled caste problems during the period 1962-71.

There were fifteen such issues discussed in the Lok Sabha during this period. Of the total 314 members who participated in the deliberations, 128 were members from general constituencies, 153 and 33 members were elected from reserved scheduld caste and scheduled tribe constituencies respectively[2] (see Table). The proportion of the scheduled caste members' participation to their strength in the Lok Sabha is much more than the general and scheduled tribe members. The main issues may now be listed.

Types of Problems Discussed

In 1962 Congressmen made an independent effort to pursuade government for setting up a committee to evaluate the extent to which the practice of untouchability was removed and the progress made by the scheduled castes in different walks of social life: there was also a move to amend the Untouchability Offences Act. After prolonged discussion both the bills were withdrawn.

The reports of the Commissioner for Scheduled Castes and Scheduled Tribes were discussed in 1963 and 1964. A resolution was passed with regard to the uplift of the scheduled castes in 1965. In 1966, there was a short discussion on rescheduling of castes and the motion with regard to the report of Commissioner for Scheduled Castes and Scheduled Tribes was passed. In 1967, the Scheduled Castes and Scheduled Tribes Orders (Amendment) Bill was introduced and the report of Commissioner for Scheduled Castes and Scheduled Tribes was discussed. The Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes was set up and the statement of Home Minister with regard to the conditions of scheduled castes was examined in 1968. The problems associated with scholarship grants for 1970 were discussed in 1969; and in 1970, the motion regarding the report of Commissioner for Scheduled Castes and Scheduled Tribes was passed, and the Scheduled Caste and Scheduled Tribe Orders (Amendment) Bill was inconciusively debated upon. There was a calling attention motion in 1971 with regard to the "Atrocities on Harijans in Rajasthan"

Thus 8 out of 15 issues discussed during the 10 years from 1962 to 1971 dealt with reports of the Commissioner for Scheduled Castes and Scheduled Tribes or with a demand for setting up a committee for evaluating the conditions of scheduled castes. There were three attempts to discuss the Scheduled Castes and Scheduled Tribes Orders (Amendment) Bill. Two issues were related to condi-



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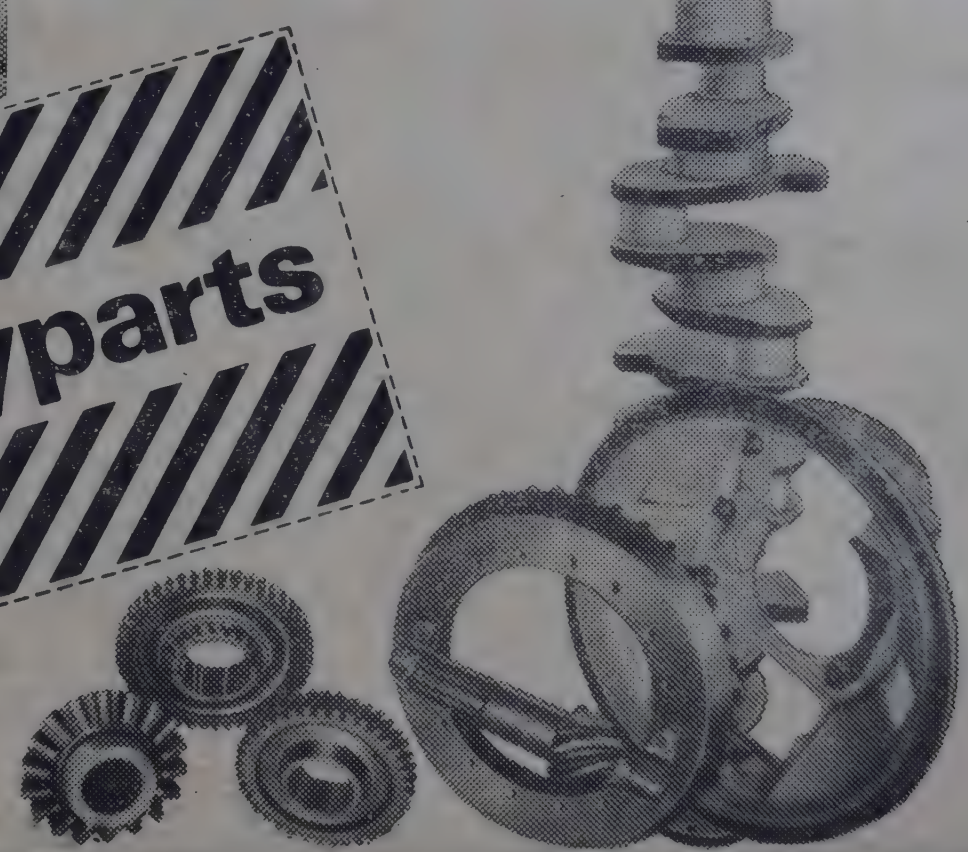
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TABLE: LOK SABHA DEBATES ON SCHEDULED CASTE PROBLEMS, 1962-1971

Year	Item	No of Participants			
		Gen	SC	ST	Total
1962	Committee for evaluation of Practice of untouchability	4	7	1	12
—	Untouchability Offences (Amendment) Bill	8	4	1	13
1963	Report of the Commissioner for Scheduled Castes and Scheduled Tribes	12	12	3	27
1964	Report of the Commissioner for Scheduled Castes and Scheduled Tribes	8	14	5	27
1965	Resolution regarding Uplift of Scheduled Castes	—	1	—	1
1966	Rescheduling of Scheduled Castes	3	2	—	5
—	Report of the Commissioner for Scheduled Castes and Scheduled Tribes	3	11	1	15
1967	Report of the Commissioner for Scheduled Castes and Scheduled Tribes	15	26	4	45
—	Scheduled Castes/Scheduled Tribes Orders (Amendment) Bill	4	1	—	5
1968	Discussion on Statement of Home Minister	7	7	1	15
—	Parliamentary Committee on the Welfare of Scheduled Castes/ Scheduled Tribes	6	10	1	17
1969	Scholarships for Scheduled Castes/ Scheduled Tribes Students	5	10	1	16
1970	Report of the Commissioner for Scheduled Castes/Scheduled Tribes	27	29	8	64
1970	Scheduled Castes/Scheduled Tribes Orders (Amendment) Bill	21	19	7	47
1971	Atrocities on Harijans in Rajasthan.	5	—	—	5
	Total :	128	153	33	314

ions of scheduled castes — one to the cholarship grants for scheduled caste tudents and one to the Untouchability Offences Act (Amendment) Bill. Some of the debates stretched beyond one session of the Lok Sabha. In this paper, the discussion on a particular topic over a period of time is considered together to maintain continuity and to understand the problem in a better perspective.

REPORTS OF COMMISSIONER FOR SCHEDULED CASTES AND SCHEDULED TRIBES

The Constitution of India under rticle 338 (1) makes a provision for he appointment of a special officer or scheduled castes and scheduled ribes by the President. The duties of the special officer are to investigate ll matters relating to the constitutional safeguards provided for scheduled astes and scheduled tribes and report o the President "at such intervals as he President may direct and the President shall cause all such reports to e laid before each house of Parliament".[3] The Commissioner for cheduled Castes and Scheduled Tribes as appointed for the first time on November 18, 1950 and submitted his irst report for the same year. The normal tenure of the Commissioner was for three years but this three year period was extended in same cases.

Some significant changes in the organisational set up and the function of Commissioner's office may be noted. From 1954 onwards the Commissioner was more concerned with the examination of grants-in-aid received from various state governments and non-official agencies for the development of scheduled castes and scheduled tribes. He was also made a member of many government committees and was closely associated with the formulation and implementation of many schemes. Thus the Commissioner's involvement might have come in the way of his impartially evaluating government policies; he had become more a policy maker than impartial evaluator of the policies as required by the Constitution. The organisational changes that were introduced further reduced the powers of Commissioner. The field organisation of the Commissioner's office was shifted to the office of Director General for Backward Classes Welfare. This was done even after strong protests from the Commissioner.

The debates on Reports of the Commissioner for Scheduled Castes and Scheduled Tribes reflected some of these aspects. The members not only pleaded for strengthening the office of the Commissioner but also deplored the lack of co-operation from state governments in giving necessary information. The main criticism of the members centred around the "inordinate delays" in discussing the reports and over the fact that the recommendations were not always implemented. The tenth and eleventh reports of the Commissioner (for 1960-61 and 1961-62) were discussed in 1963; the twelfth report (for 1962-63) was debated in 1964; and the fourteenth and fifteenth reports (for 1964-65 and 1965-66) were taken up together in 1967. Thus all the reports were discussed after one year of submission and the time gap was even greater there for the tenth and fourteenth reports. The thirteenth report of the Commissioner was not discussed at all in the Lok Sabha. The members complained in the house that time allotted for discussion was too short and the deliberations remained inconclusive. The recommendations made in the fourteenth and fifteenth reports of the Commissioner related to the last two years of third five year plan. These reports were however discussed in 1967 after the completion of the plan period. The suggestion and observations on these reports made by the members in the Lok Sabha could have little relevance either for framing policies or for implementation of the decisions taken.

The opposition members talked about the "improper attention" given to the problems of scheduled castes by the government and its "failure to uplift their conditions". There were attempts to amend the motions introduced by the government. An opposition member in 1964 moved an amendment to the official motion which said that, "state and Central governments utterly failed to provide free housing plots, to distribute wastelands, to form co-operative farming societies, to establish cottage industries, to provide employment, to improve their social and economic conditions and to educate them".[4] The amendment was defeated. The Congress members on the other hand praised the measures taken by government to ameliorate the conditions of scheduled castes but largely criticised many non-implementative aspects. For them the progress made by scheduled castes, though remarkable, fell short of expectations.

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The suggestions made by the members to improve the conditions of the heduled castes varied considerably. ese included land reforms, measures removal of social disabilities like touchability and reservation of jobs d educational facilities. The other ects that received attention were ation of wages of agricultural ourers, the harassment of money ders, liberal grants for voluntary anisations, and improper utilisan of funds. Some members felt it scheduled castes could move upd only when they acted with selfidence without relying on the port of others. Even though all members were of the opinion that nething more should be done for improvement of scheduled castes, re were no concrete programmes ommended by the members either onging to the Congress or to the position. Thus the "ineffective reting by the Commissioner", "inordate delays in discussing the rets", "non-implementation of rennmendations", and the reflection of ological pulls in the discussions of Congress and the opposition mems, became a regular feature of the ceedings. All these aspects togeer made the discussion of the rets of Commissioner for Scheduled stes and Scheduled Tribes less ective for solving the problems of weaker sections of society.

The scheduled caste members, cognising this, pointed out that a h power committee should be apnted to look into the progress de by the scheduled castes. In 1962, scheduled caste member belonging the Congress moved a resolution ich said: "This house is of the inion that a committee consisting members of parliament and repretatives of private institutions be up to conduct a countrywide surv to find out the extent to which touchability has been removed and economic, educational and social gress made by Harijans and dessed classes and suggest suitable asures in regard thereto."[5] The olution was discussed in the Lok ha for two and half hours in which r general, seven scheduled caste one scheduled tribe members ticipated. The resolution was lly withdrawn since the Minister Home Affairs felt that government s doing many things and at this ge there was no necessity of setting a special committee. The same mber moved another resolution in 5, but in a more 'positive' way; it d that "there was considerable progress made by the scheduled castes in regard to education, economic development, land distribution and implementation of reservation policy",[6] and therefore a high power committee was needed to look into these affairs.

As a result of the consistent efforts of the scheduled caste members in the Lok Sabha, a committee consisting of six MPs, the President of Gujarat Harijan Sevak Sangh, and a Deputy Legal Adviser in the Ministry of Law was set up in 1965. The committee was supposed to submit its report on untouchability, economic and educational development of scheduled castes and other connected documents, within a period of six months; the report was actually submitted, after four years, in 1969. According to members of the committee, the delay in submitting the report was caused by the "non-cooperative nature of department of social welfare, the sponsoring agent".[7] Differences among the members of the committee was as an additional reason for the delay. A member of the committee did not sign the report and recorded a minute of dissent. He felt that the problem of untouchability was given an exaggerated importance. For him, "the existence and continuation of caste system in India is essential for the survival of some individuals and organisations. Such persons are there not only among caste Hindus but also among scheduled castes". He was of the opinion that the scheduled caste leaders, getting liberal grants from the government, were trying "to keep Harijans down-trodden for ever".[8] Thus the report submitted amidst controversies was discussed in the Lok Sabha along with one of the reports of Commissioner for Scheduled Castes and Scheduled Tribes. Initially five hours was allotted for the discussions which was later extended to 20 hours. 64 members participated in the debate of whom 27 were general, 29 scheduled caste and 8 scheduled tribe members. After the discussion of this report the demand for setting up of a high power committee was again revived.

Parliamentary Committee on Welfare of Scheduled Castes and Scheduled Tribes

The motion regarding the formation of a Parliamentary Committee on the welfare of scheduled castes and scheduled tribes was introduced in the Lok Sabha on August 30, 1968. 17 members participated in the discussion of whom six were general members, 10 scheduled caste and one a scheduled tribe member. The motion was accepted unanimously, including the five amendments made by four scheduled caste members and one general member. One of the scheduled caste members described it as "a red letter day for scheduled castes and scheduled tribes".[9] Others talked of extending the scope of the committee to the state level or setting up similar committees at the state level.

The Committee consisted of 30 members, 20 from the Lok Sabha and 10 from the Rajya Sabha. The members were to be elected in accordance with the system of proportional representation by means of single transferable vote through secret ballot. Any member who was included in the Council of Ministers could not be a member of the Committee. The members of the committee were to hold office for a period of two years from the date of first meeting of the committee. The functions of the committee were as follows :[10]

> (1) To consider the reports submitted by the Commissioner for scheduled castes and scheduled tribes under Article 338(2) of the Constitution and to report to both the Houses as to the measures that should be taken by the Union government in respect of the matters within the purview of the Union government including the administrations of the Union territories. (2) To report to both the houses on the action taken by the Union government and administration of Union territories on the measures proposed by the Committee. (3) To examine the measures taken by the Union government to secure the due representation of scheduled castes and scheduled tribes in services and posts under its control. (4) To report to both the Houses on the working of the welfare programmes for the scheduled castes and scheduled tribes in the Union territories. (5) To consider generally and to report to both the Houses on all matters concerning the welfare of scheduled castes and scheduled tribes which fall within the purview of Union government including administration of Union territories; and (6) To examine such of the matters as may seem fit to the Committee or are specifically referred to it by the House or the Speaker.

The Committee submitted its first report on November 26, 1969 on "reorganisation of the office of the Commissioner for Scheduled Castes and Scheduled Tribes and Director General, Backward Classes Welfare" under the Chairmanship of a senior scheduled tribe member. Till the end of the term of the first Committee, nineteen reports were submitted to the Lok Sabha. The second Committee which was formed in 1971, with a scheduled caste member as its Chairman, had

submitted four reports till the end of December 1971. Out of the total 23 reports submitted from 1969 to 1971, eight were concerned with the reservations for scheduled castes and scheduled tribes in the ministerial departments and public sector undertakings, three had dealt with the admission, scholarship and hostel facilities for scheduled caste and scheduled tribe students, and one report each dealt with housing facilities, Commissioner's office and the complaints and representations received. The remaining eight reports specified the action taken by the government on recommendations of the previous reports.

It is evident from the above analysis that the Committee had placed maximum importance on the reservation seats for scheduled castes and scheduled tribes in various departments of the government. Even before Independence, the reservation of jobs for scheduled castes was introduced. In August 1943, government issued orders to reserve 8.33 per cent of vacancies for these castes. The maximum age limit was relaxed by three years and admission fees for entrance examination was reduced to one fourth. However posts with high technical qualifications were excluded. In June 1946 the share of vacancies reserved for the scheduled castes was raised from 8.33 per cent to 12.50 per cent in the direct recruitment and to 16.75 per cent in cases other than open competition. The Committee found that the recruitments to Class I, Class II and Class III posts were unsatisfactory. It also recommended that the scheduled castes should be given representation according to the percentage of the scheduled caste population to the total. The main emphasis of the Committee was on the effective implementation of reservation policies in various departments of the government. To achieve this, the Committee recommended maintenance of rosters in all public sector undertakings and their periodical checking by the Minister of Home Affairs, special cells for collection and compilation of statistical data with regard to the scheduled castes and scheduled tribes.

The selection for the posts considered by the Committee was always based on subjective aspects. Therefore, stress was laid on relaxation of standards for the scheduled caste and scheduled tribe students and, if feasible, appointment of the scheduled castes and scheduled tribes without written or *viva voce* examination[11] The Committee was not only to review all the aspects in particular departments of the governments and public sector undertakings selected for study, but was also to see that these aspects were fully implemented. With regard to its report on Commissioner for Scheduled Castes and Scheduled Tribes three points were mainly emphasised in the very first report of the Committee: (i) The reorganisations of Commissioner's office with more offices at the state level to abstract more information and to conduct studies on the problems faced by scheduled castes at the local level; (ii) the enhancement of the status of Commissioner to that of Chairman of the Election Commission; and (iii) the specification of the functions of the Commissioner and his subordinates.[12]

The report on educational facilities (Third Report) dealt with scholarships, admissions and hostel facilities. The Committee recommended that the amount of scholarships should be linked with cost of living and criticised the delays in disbursement of the scholarships. The committee considered the problems of admission of scheduled caste students to both technical and non-technical courses.[13] The 23 recommendations dealt with hostels, maintenance of statistics, possibilities of checking discriminatory practices in the hostels against scheduled caste students, more amount for hostel stipends and reservation of seats for scheduled caste students in general hostels. The sixteenth report of the Committee dealt with housing facilities and recommended construction of houses for scheduled castes in the villages, slum clearance in cities and supply of material for construction of the houses at concessional rates.[14]

The committee recived 1,248 complaints from individuals and organisations of which only 683 complaints pertained to matters within the purview of the Union government, Union territory administrations and Central government public undertakings. 69 representations were merely suggestions to improve the conditions of scheduled castes and scheduled tribes. The remaining 496 complaints were forwarded to the state governments. The Committee could act on and dispose of 500 cases while 183 cases were still under correspondence with concerned ministries and departments, 53 cases were described in the report (nineteenth) and most of the complaints dealt with lack of effective implementation of reservation policies or discriminatory practices, particularly in the jobs.[15]

The performance of the Committee can be gauged by the number of commendations accepted by gove ment. Information is available o for eight of the 24 reports that w submitted by the Committee till t end of 1971. The number of reco mendations accepted by the gove ment vary from 32 per cent to 95 p cent. Most of the recommendatio which were not accepted by the gove ment were reiterated by the memb of the Committee while a few reco mendations are yet to be answer However, it is yet to be evaluated to how far the recommendations cepted by the government are eff tively implemented.

Besides acting as the body to wat the implementative aspects of the go ernment policies, the Committee p forms some other functions. The me bers of the Committee get the oppo tunity to visit many places in India study the scheduled caste proble They not only observe the actual co ditions of scheduled castes but a maintain effective contacts with t scheduled caste population direct The members belonging to differe political parties have a chance to sha their opinions and chalk a comm programme for the scheduled cas improvement. Thus the establishme of the Parliamentary Committee on t Welfare of Scheduled Castes a Scheduled Tribes is perhaps the on significant achievement of the me bers of scheduled castes in the Lo Sabha.

Untouchability Offences (Amendment) Act (1962)

Measures on the part of the Sta for removal of social disabilities pr cede Independence. The Madras R moval of Civil Disabilities Act was i troduced in 1938. The practice untouchability was formally abolishe in article 17 of the Constitutio enacted in 1950. The Untouchabilit Offences Act introduced in 1955 ou laws the imposition of social disabil ties on grounds of untouchability. Bu while the 'social disabilities' we elaborately spelt out, the Act also ha some serious drawbacks. Neither un touchability was defined nor was made clear what constituted a disab lity arising out of untouchability. Th burden of proof of the practice of th offence was laid on those again whom the offence was committed. Th scheduled castes could not appe against the practice of untouchabilit on the part of Jains or Buddhists; th offending person had to belong to th same religious denomination as th scheduled castes. Reviewing the leg

plications of the Law Marc Galanter s commented that "the effectiveness the Act depends upon the initiative the local police and the sympathy local magistrates, both of whom ve obvious reasons to be disinclined antagonise the dominant elements the community".[16]

The overall working of the Untouchability Offences Act, 1955, was unsatisfactory. Besides legal complications or lapses of the Act there were ordinate delays in the disposal of the ses. The apathy of the police to gister cases and furnish witnesses, id the unawareness of scheduled stes about the Act were some of the npediments in the process of implementation. In 1962, a scheduled caste ember belonging to the Congress rty introduced a bill to amend sections 3 and 4 of the Untouchability ffence Act. The member divided the ublic places' mentioned under these ctions into three categories: (a) blic places of worship open to other rsons professing the same religion;) public places of worship belonging the same religious denomination;) places of worship meant for any ction of the religious denomination. or him many of the Hindu temples me under the categories two and ree. The 1955 Act was not applible to these cases; so the amendment ealt with the entrance to Hindu mples by Hindus, any class or any ction thereof.

13 members participated in the discussion, of whom eight belonged to eneral, four to scheduled caste and ne to scheduled tribe categories. Six embers opposed the Bill. Some embers felt that religious discrimination should be treated as a minor aspect and therefore, need not be given xcessive importance. A few members thought that laws would not be olving the problems of untouchability nd change of hearts of people was ecessary. One of the members opposed the 'negative sanctions' and nother member opposed the measure n the ground that it suggested that the untouchables are not Hindus". It as also said that the general members supported the Bill with a vested terest to win over the scheduled stes. The Minister for Social Security speaking on behalf of the government thought that the amendment to he Act would contravene article 15 f the Constitution and might be truck down in the courts. So the ember later withdrew the Bill.

The attempts to amend the Act ere revived in 1974-75. One of the proposed changes was that the Untouchability Offences Act was to be named as Civil Rights Act. Contrary to the expectations, the Bill was not passed in 1974 or 1975, but in September 1976 during Emergency as "The Untouchability (Offences) Amendment and Miscellaneous Provision Bill, 1976."

Scheduled Castes and Scheduled Tribes Orders (Amendment) Bill (1967)

Articles 341 and 342 of the Constitution provide that the President may with respect to any state or Union territory specify the castes, races, and tribes which shall be deemed to be scheduled caste and scheduled tribe in relation to each state and Union territory. The Constitution (Scheduled Caste) Order was issued in 1950. Separate orders were issued specifying the scheduled castes in Jammu and Kashmir, Dadra, Nagar Haveli, Pondicherry, Goa, Diu and Daman. Under the Constitution, the order issued by the President can be changed or modified only by a law made by Parliament. In 1965 government appointed the Lokur Committee to make recommendations for necessary changes or modifications of the 1960 order. There was a short half an hour discussion in the Lok Sabha with regard to the 'descheduling of castes' in 1966. Of five participants, three spoke of the Lokur Committee report and the possible date of its submission, one member opposed descheduling of any scheduled castes, and the other recommended the exclusion of certain castes from the list.

The report of the Lokur Committee was examined by the members of Parliament and ministers belonging to scheduled castes and tribes. As a result of these consultations, government prepared a Bill which was introduced in the Lok Sabha on August 12, 1967. The Bill was "to provide for the inclusion in and the exclusion from the lists of scheduled castes and scheduled tribes, for the readjustment of representation, and redelimitation of Parliamentary and Assembly constituencies in so far as such readjustment and redelimitation are necessitated by such inclusion or exclusion and for matters connected therewith".[18] Of the five members who spoke, four general opposition members wanted the Bill's introduction to be postponed as enough time was not given to form an opinion about it; nevertheless the Bill was moved and the first reading adopted. The Bill was then referred to a Joint Committee of both the houses in March 1968. In all the Joint Committee received 262 memoranda and representations from various organisations and individuals. These memoranda were for either inclusion or exclusion of about 400 caste groups from the list. The list of scheduled castes was prepared for each state separately. The Joint Committee suggested that if a scheduled caste member migrated from one state to another, he should be regarded as a scheduled caste member in the state to which he had migrated. Under the present law a woman marrying scheduled caste man would retain her own caste. The Joint Committee recommended that the woman be considered as belonging to the caste of her husband. The members had suggested nearly 400 amendments to the Bill. A total number of 47 members participated in the discussions of whom 21 were general, 19 scheduled caste and 7 scheduled tribe members.

Among supporters of the Bill, 28 members had exclusively talked on inclusion or exclusion of specific communities from the list of scheduled castes. 10 members spoke of scheduled tribes only and nine others concentrated on both. Some members were pessimistic about the Bill. They thought that there was no use of making or remaking scheduled caste lists without implementing the welfare programmes. Four opposition members thought that there were strong political interests behind the introduction of amendments. They considered that exclusion or inclusion of certain castes would be of advantage to the ruling party in gerrymandering constituencies. All others who took part welcomed the measure and wanted its speedy implementation. The debate on the Bill after a discussion for six hours, remained inconclusive, and there was no effort to reintroduce the Bill. It was only in September 1976, during Emergency, that the Bill was passed by a voice vote.

Other Issues

The harassment of scheduled castes was discussed in 1968 and 1971. The incidents mentioned in the discussion related to Andhra Pradesh, Uttar Pradesh and Rajasthan. All the members who participated in the discussion urged for an impartial investigation into the matter. In 1969, there was a debate regarding scholarships for scheduled caste and scheduled tribe students. J B Muthyal Rao, then Social Welfare Minister, told the House that he wanted "to discourage the tendency to treat scholarships as

means of livelihood"[20] The scheduled caste members considered the statement offensive and demanded that the minister should apologise to the house. All the scheduled caste members thought that the amount of scholarship was meagre and there were inordinate delays in its disbursement. This was one of the occasions when the unity of scheduled caste and scheduled tribe members was most evident in the Lok Sabha.

Concluding Remarks

The making of laws for the welfare of scheduled castes has generally been a slow process in spite of the fact that some of the major problems have for long been identified. Some of the measures proposed in the Lok Sabha during the period under review were either withdrawn, or were inconclusive, or were not rigorously pursued. The discussions on the reports of the Commissioner for Scheduled Castes and Tribes were more or less ritualistic; some of the reports were not discussed at all. The time allotted for discussions too was short. Legislation was invariably slow. The Scheduled Caste and Scheduled Tribes Orders (Amendment) Bill, introduced in 1967, was passed only during Emergency. Similarly the amendments to the Untouchability Offences Act remained inconclusive for nearly 15 years.

The only significant gain for the scheduled caste during this period was the setting up of the Parliament Committee on the Welfare of Scheduled Castes and Scheduled Tribes. The Committee was formed in 1968 and submitted 24 reports in a period of four years. Though the Committee was perhaps not very successful in securing the implementation of government policies, it may be said that in its evaluation of reservation policies in government departments and public sector undertakings the Committee has not been useless. The assumption that rules once made would be automatically applied has not been borne out in practice and over a period of four years and 24 reports the Committee has found enough work on this score. Future studies can make useful comparison in the functioning of this committee and many others in articulating specific interests and influencing and implementing the decisions. Delays in taking decisions even after identifying the scheduled caste problems might be due to the fact that there were many differences within scheduled caste members like the differences in party orientation, regional identities functional affiliations, individual opinions, etc; equally important in this context would be attempts by the scheduled caste members to dissociate themselves from those sections of the population which they represent.

Notes

1 See Sachidanda, 'Research on Scheduled Castes with Special Reference to Change' in "Survey of Research in Sociology and Social Anthropology", Vol I, Popular Prakashan, Bombay, 1974, pp 276-319; Brij Raj Chauhan and G Narayana, 'Problems of Education among Scheduled Caste Students in Uttar Pradesh' in *Social Change*, 1976, pp 13-18; G Narayana 'Social Background of Scheduled Caste MPs in the Fifth Lok Sabha — A Comparative Study', in *CDPR Digest*, Vol 5, No 2, 1974.

2 This is the total number of participants in all the three Lok Sabhas. One member might have participated in discussions on more than one occasion.

3 Reports of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes, Lok Sabha Secretariat, New Delhi, 1968 onwards.

4 Lok Sabha Debates, Lok Sabha Secretariat, New Delhi, 1964, p 4543.

5 Lok Sabha Debates, 1962, p 8434.

6 Lok Sabha Debates, 1965, p 1805

7 "Report of the Elaya Perumal Committee on Untouchability, Economic and Educational Development", Department of Social Welfare, New Delhi, 1969 p 1.

8 *Ibid*, p 8, 9.

9 Lok Sabha Debates, 1968, p 3498.

10 Lok Sabha Debates, 1968, p 3542.

11 "Fourth Report of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes", Lok Sabha Secretariat, New Delhi, 1970. p 6.

12 "First Report of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes", Lok Sabha Secretariat, New Delhi, 1969.

13 "Third Report of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes", Lok Sabha Secretariat, New Delhi, 1969, p 25-30.

14 "Sixteenth Report of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes", Lok Sabha Secretariat, New Delhi, 1970.

15 "Nineteenth Report of Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes", Lok Sabha Secretariat, New Delhi, 1970.

16 Marc Galanter 'Law and Caste in Modern India', *Asian Survey*, Vol 3, No 11, pp 544-60.

17 *The Hindu*, September 4, 1976.

18 Lok Sabha Debates, 1970, p 316.

19 *The Hindu* September 3, 1976.

20 Lok Sabha Debates, 1969, p 318.

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ORIENT LONGMAN

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Profile of Indian Vegetable Oil Industry

I: Production System

S Chandrasekaran

K T Achaya

The vegetable oils industry in India is characterised by widely-scattered production units, and these are at all levels of technology ranging from simple, traditional bullock-driven ghanis to sophisticated solvent-extraction plants.

Attempts have been made to estimate the number of production units of various kinds now operating in India. These are sometimes absurdly contradictory. Again, while information is to be had on oilseeds production, percentage crushed, oil contents and oil recoveries in ghanis and expellers, no estimate appears to have been made of the proportions of vegetable oil derived from these various production technologies.

An attempt has been made in this paper, on the basis of available data, to derive information regarding the types of oil-production units and the quantity of oil deriving from each. A final total oil production estimate has been made which includes all major production technologies.

In a sequal to this paper, to be published next week, the author will examine the nature and extent of movement of oilseeds and oils, starting with the regional production pattern for each oilseed, and the production pattern for the oil present therein.

THE vegetable oils industry in India is characterised by widely scattered production units, and these are at all levels of technology from simple, traditional bullock-driven ghanis to sophisticated solvent-extraction plants. Efforts at improving the traditional ghani, notably by the Khadi and Village Industries Commission (KVIC), have led to installation of a number of improved or Wardha ghanis over the years, and of some electric-power-ed ghanis. The next phase was the introduction of cage-presses, first of the manually — or hydraulically-powered type, and then of electrically-powered oil screw-presses (expellers). Being more efficient, these tended, where capital was available, to displace the ghanis driven by bullocks. Finally, starting about thirty years ago came the solvent extraction plants which used as their chief raw material the oilcakes, still containing oil, that are left after expression in ghanis or in screw-presses.

Attempts have been made to estimate the number of production units of various kinds now operating in India. These are sometimes absurdly contradictory, as mentioned later. Again, while information is to be had on oilseeds production, percentage crushed, oil contents and oil recoveries in ghanis and expellers, no estimate appears to have been made of the proportions of vegetable oil derived from these various production technologies.

An attempt has been made in this paper, on the basis of available data, to derive information regarding the types of oil-production units and the quantity of oil deriving from each. For lack of information, it has sometimes been necessary to project data available from one year into a later one, notably in regard to the proportions of each oilseed used for purposes of crushing, and even more important, the proportion of total oilseed that is crushed in ghanis and in other devices, which may well have altered with advancing years. Solvent-extraction units do not enter the major calculations; these units extract only residual oil from oilcakes, whereas only the oil recovered directly from oilseeds has been used in the reckoning. A final total oil production estimates has been made which does include all major production technologies.

Estimating Production Units

One type of classification of oil-production units is based on type of power used. Non-powered or mechanical units for production of oil would be represented by the traditional ghani (also called kohlu or chekku),

Table 1: Units Producing Vegetable Oils in India
(lt = lakh tonne; t = tonne)

		Number	Capacity, Utilisation, etc
I. Report of RRL Hyderabad [1]			
Village ghanis[2]		2,30,000	Total crushing capacity 243 lt
			Actual oilseeds available 112 lt
			Utilisation of capacity 40 %
Oil expeller units[2]		13,600	
Oil expeller units[3]		15,330	Installed capacity 141 lt
Solvent extraction units[3]		187	Installed capacity 38 lt
			Utilisation of capacity 20-30 %
II. Wealth of India entry [4]			
Village ghanis	1956	3,09,000	—
Registered traditional ghanis	1962	21,870	—
Improved Wardha ghanis	1971	41,950	Production 43,000 t of oil
Oil expeller units	1964	350	Production 3.71 lt
	1966	—	Production 16.00 lt
Solvent extraction units	1974	187	Installed capacity 38 lt of cake Production 1 lt of oil

1 Regional Research Laboratory, Hyderabad, "Study on Oilseeds Sector: Processing and Utilisation of Oilseeds and Products", May 1976, p 8-10.
2 P 8-9, quoted from an estimate by the Department of Economics, University of Bombay.
3 Tables 2.5.17 and 2.5.T9, p 72 and 75.
4 "Vegetable Oils", The Wealth of India: Industrial Products, Volume IX Council of Scientific and Industrial Research, New Delhi, 1976.

TABLE 2: NUMBER OF GHANIS UNDER THE PURVIEW OF THE KHADI AND VILLAGE INDUSTRIES COMMISSION

Type of Ghani	1976-77		1977-78	
	Assisted	Reporting	Assisted	Reporting
Traditional	28,262	8,591	28,437	8,806
Improved	14,057	2,714	14,270	1,911
Power	4,892	2,780	5,370	2,876
Total	47,211	14,085	48,077	13,593

Source: Khadi and Village Industries Commission, Bombay 1979, private communication.

TABLE 3: PRODUCTION OF VEGETABLE OILS BY THE GHANIS REPORTING UNDER THE KHADI AND VILLAGE INDUSTRIES COMMISSION

(Lakh tonnes)

Oil	Production of Oil			
	1973-74	1974-75	1975-76	1976-77
Groundnut	0.038	0.043	0.050	0.045
Rape/mustard	0.133	0.126	0.120	0.107
Sesame	0.062	0.060	0.061	0.046
Coconut	0.016	0.013	0.014	0.014
Safflower	0.071	0.115	0.141	0.145
Others	0.003	0.007	0.006	0.001
Total	0.323	0.364	0.394	0.358

Source: Khadi and Village Industries Commission, Bombay, 1979, private communication.

TABLE 4: PROPORTION OF OIL-BEARING MATERIALS PRODUCED THAT ARE USED FOR CRUSHING

Oil-Bearing Material	Used for Crushing (Per Cent)	Oil-Bearing Material	Used for Crushing (Per Cent)
Groundnut	80[1]	Cottonseed	60[3]
Rape/mustard seed	84[2]	Copra	80[4]
Sesame seed	78[1]	Safflower seed	84.5[5]
Linseed	88[1]	Niger seed	80[6]
Castorseed	94[1]	Sunflower seed	90[1]

Source:
1 P S George, U K Srivastava and S M Desai, "The Oilseeds Economy of India", Macmillan, India, 1978, p 70.
2 Report on the Marketing of Rapeseed and Mustard in India, Ministry of Food and Agriculture, Government of India, Nagpur, Nov 1966, AMA 155, p 215
3 Regional Research Laboratory, Hyderabad, "Study on Oilseeds Sector : Processing and Utilisation of Oilseeds and Products", May 1976. p 164.
4 The Wealth of India; Raw Materials, Vol 2, "C", Council of Scientific and Industrial Research, New Delhi, 1950, p 282.
5 Report on the Marketing of Saffiower seed in India, Ministry of Food and Agriculture, Government of India, Nagpur, 1967, AMA 162, p 10 and 41.
6 The Wealth of India : Raw Materials, Vol 4, "F-G", Council of Scientific and Industrial Research, New Delhi, 1956, p 270

the improved or Wardha ghani, the hand press, the hydraulic press, and the mechanical rotary press. Electrical power-operated units would be the rotary ghani (sometimes simply termed rotaries), the screw-press or expeller, and the solvent-extraction unit, either batch or continuous.

Another classification used in the Factories Act is based on the capital investment on land, building, plant and machinery reckoned at book value.[1] A figure of upto rupees one lakh constitutes the tiny sector, upto Rs 10 lakhs the small-scale sector and beyond Rs 10 lakhs the large-scale sector.

Confusion in nomenclature makes clear identification of the producing units rather difficult. Further, oil mills instal more than one type of unit. This is exemplified by the report of the Power Oil Mill Industry (1957-58)[2] which found that each mill had an average of as many as 8 producing unit consisting mainly of expellers and rota ghanis, but also including hydraul presses, kohlus, hand-presses, Pin presses and unclassified units. Of cour such diversity would not obtain in th non-power sector for lack of capita and one unit-one ghani would probab represent the usual pattern.

Information given in earlier repor on oil-producing units in India is sum marised in Table 1. The Hyderabad r port shows two figures for oil expell units; the former might represent han and hydraulic presses and the latte power-based screw-presses. There a clear discrepancies between the two r ports. Oil expellers are counted as ov 15,000 in the Hyderabad report, wit an installed capacity of 141 lakh tonne (lt), which are both likely figures. Th other computation shows far les than these both in terms of numbe and production. Similarly, the numbe of improved Wardha ghanis in th second estimate, 42,000, is far greate than the figure of 14,270 for 1977-7 furnished to us by the Khadi and Vil age Industries Commission[3] (hereafte termed KVIC).

At the beginning of the centur there were stated to be 4 to 5 lak bullock-driven ghanis working in th country.[4] With the introduction of bot non-powered and powered mills thi figure began to decline, and the Live stock Census[5] of 1966 estimated tha 2.33 lakh ghanis were working in th country. The same figure, quoted i Table 1, is attributed to an estimat made by the Department of Economic of Bombay University. A higher figur of 3.09 lakh ghanis is stated in th Wealth of India entry[4] shown in the latter half of Table 1. The orders o magnitude of these figures are similar Working backwards from oil productio as described later, our own figures in dicate a figure of 2.18 lakh ghanis i 1973-74 and 2.00 lakh ghanis in 1976 77, and these numbers include any im proved types. A figure of 2.2 lakh ghani working at present therefore seems a fair estimate.

Table 2 shows KVIC figures for th number of ghanis assisted by them, an those which have reported returns. O course only a small fraction of tradi tional ghanis, apparently one-tenth of the total, are assisted by KVIC, but it seems likely that practically all the improved ghanis (improved in fact by KVIC and with their financial assis tance) and powered ghanis in the coun try would be on its rolls. Thus it is deduced that there were in 1976-77 some 14,000 improved ghanis and 5,000

TABLE 5 : PROPORTIONS OF TOTAL OIL-BEARING MATERIALS CRUSHED IN TRADITIONAL GHANIS[1]

Oil-Bearing Material	Crushed by Ghanis (Per Cent)	Oil-Bearing Material	Crushed by Ghanis (Per Cent)
Groundnut	20	Cottonseed	Nil
Rape/mustard seed	37	Copra	20
Sesame seed	83	Safflower seed	94[2]
Linseed	30	Niger seed	67[3]
Castor seed	Not[5] known	Sunflower seed	Nil[2]

Source : 1 All figures, except for safflower, niger and sunflower seeds, from "Report of the Oilseeds Crushing Enquiry Committee, (1956)", quoted in "Oilseeds in India (1956-57)", Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India, New Delhi, Nov 1957, p xv.
2 Report on the Marketing of Safflower seed in India, Ministry of Food and Agriculture, Government of India, Nagpur, 1967, AMA 168, 1967, p 41.
3 Report on the Marketing of Nigerseed in India, Ministry of Food and Agriculture, Government of India, Faridabad, 1970, AMA 169, p 9 and p 36.
4 Regional Research Laboratory, Hyderabad, "Study on Oilseeds Sector : Processing and Utilisation of Oilseeds and Products", May 1976, p 229.
5 See text for discussion.

TABLE 6 : PRODUCTION OF OILSEEDS AND OILS IN INDIA

(Lakh tonnes)

Oil-Bearing Material	1973-74[1]		1976-77[2]	
	Oilseed	Oil	Oilseed	Oil
Groundnut in shell	57.98	13.88	52.62	11.85
Rape/mustard seed	16.92	5.41	15.62	4.18
Sesame seed	4.86	1.51	4.04	1.19
Linseed	4.71	1.40	4.31	1.36
Castor seed	2.35	0.82	1.72	0.65
Cottonseed	20.97	1.75	26.00	2.34
Copra	3.45	1.71	3.89	1.70
Safflower seed	1.97	0.79	2.17	0.39
Niger seed	1.22	0.34	1.10	0.25
Sunflower seed	1.80	0.72	2.40	0.75
Total	116.23	28.33	113.87[3]	24.66

Source : 1 P S George, U K Srivastava and B M Desai, "The Oilseeds Economy of India", Macmillan, India, 1978, p 3.
2 *Oils and Oilseeds J.* 1977, *30* (Nr 2, Oct-Dec), 31-34
3 Production of other Oils is estimated as follows (1t) : Soya 0.20, ricebran 0.35, tree seeds 0.80 and solvent-extracted oils 1.00, tatal 2.35 lt.

ower ghanis in the country, constiting some 10 per cent of all the orking ghanis.

Next let us consider screw-presses or xpellers. In 1957-58, the Indian entral Oilseeds Committee reported the Power Oil Mill Industry.[2] The l mills surveyed numbered 8,175, and them were installed the following pes and numbers of machinery: exllers 38,504 and rotary ghanis 25,115 oth powered), and the following nonwer units; hydraulic presses 463, lus 1196, hand presses 171 and Pinto esses 47. The unclassified units mbered 2,533, giving a total of 029. Thus the most important units oil mills are expellers or power rotary anis, the relative poportions in 1957- being 3:2.

In 1974-75, there were 16,200 mills the country,[6] and if the proportions d remained similar to those in the earlier estimate, then the production units ought to have consisted of some 77,000 expellers and 50,000 rotary ghanis. However, since rotary ghanis have tended to decline with the years at the expense of expellers, a closer estimate might be that about 90,000 expellers and 35,000 rotary ghanis were working in the country in 1974-75 in the 16,200 oil mills. The rate of increase over the 17-year period is 500 oil mills added per year. Projecting on this basis, then in 1976-77 there would be working in the country some 17,000 oil mils with installations of approximately 93,000 expellers and 36,000 rotary ghanis. The low figures for these machines shown in earlier estimates may have been because no distinction was made between oil mills as a whole and the units installed in them. Even the report of the Power Oil Mill Industry[2] shows an average of 8 expeller and rotary units in each oil mill. The present projected estimates would of course have to be checked by statistical sample surveys on a country-wide basis. If the number of expellers and rotaries appear high, it should not be forgotten that even in 1957-58 there were nearly 64,000 of them.

Regarding solvent extraction units, there is no ambiguity since all are registered. There were 193 of them[7] in 1976-77, with a total annual capacity of 48 lt of raw material.

Thus the production of oil in India in 1976-77 appears to have been brought about by the following types of units. Non-power units include 2,20,000 traditional ghanis and 14,000 improved (Wardha) ghanis, besides small numbers of hydraulic presses, hand presses and so on. Power units comprise: 5,000 separate small-scale power ghanis, 36,000 rotary ghanis and 93,000 expellers installed in oil mills, and 193 solvent-extraction units.

In the rest of this paper, the non-power units taken together will simply be called "ghanis" and the power units simply "mills", for purposes of production. Finer distributions will be unravelled only at the end.

ESTIMATING PRODUCTION OF OIL

The KVIC has reported[3] on the units assisted by them, and the numbers among these reporting back to them (Table 2). Production of oil from the units reporting is shown in Table 3, and though only a quarter to a third of the units that are assisted send in their returns, it may be assumed that these are representative of the rest. Also, 35,800 tonnes of oil were produced in 1976-77 by 14,085 ghanis which reported (out of 47,211 assisted). In 1977-78 more were assisted but slightly less reported than in 1976-77. It is therefore reasonably accurate to assume that 14,085 ghanis produce 35,800 tonnes of oil annually, or that each ghani gives 2.54 t of oil per year, or about 8.5 kg daily.

Next one must determine the proportions of oilseeds used in India for expressing oil. Not all the oilseeds produced are used. Some porportion is retained for sowing, usually about 10 per cent of the total. Certain oil-bearing materials, notably groundnut, sesame seed and cocount, are used for direct consumption, while whole rape/mustard seed is an important culinary ingredient. Whole cottonseed is still a fairly important cattlefeed, though its use as a source of oil has grown considerably in the last two decades. Table 4 shows information gathered

TABLE 7 : OIL RECOVERED THROUGH CRUSHING IN TRADITIONAL GHANIS AND IN ALL OTHER OIL MILLS

(Percentages)

Oil-Bearing Material	Oil Content[1]	Oil Recovered in		Oil Left in Cake in	
		Ghanis[2]	Mills[2]	Ghanis[2]	Mills[2]
Groundnut kernel	43	35	40	11.6	5.0
Rape/mustard seed	40	30	35	14.2	8.0
Sesame seed	47	37	42	15.2	9.0
Linseed	40	30	35	14.2	7.3
Castorseed	45	35	40	9.7	7.9
Cottonseed	21	Not practised	15	—	7.0
Copra	63,67	58	64	11.6[3]	6.6[3]
Safflower seed	30[4]	21[4]	24[4]	11.4[5]	7.7[5]
Nigerseed	40[6]	30[6]	35[6]	14.3[5]	7.7[5]
Sunflower seed	40	Not practised	35[7]	—	7.9[5]

Source : 1 Calculated from oil recoveries and oil left in cake; only for copra does this yield different values for oil content when using ghani and mill data.
2 *Oils and Oilseeds J*, 1978, *31* (2, Oct-Dec), 33.
3 Wealth of India, Raw Materials, Vol 20, p 274, (Council of Scientific and Industrial Research, New Delhi, 1950).
4 Report on the Marketing of safflower seed in India, Ministry of Food and Agriculture, Government of India, Nagpur, 1967, AMA 162, p 35 and 39.
5 Calculated from oil content of seed and oil recovered.
6 Report on the Marketing of Nigerseed in India, Ministry of Food and Agriculture, Government of India, New Delhi, 1970, AMA 169, p 30-33.
7 Regional Research Laboratory, Hyderabad, "Study on Oilseeds Sector : Processing and Utilisation of Oilseeds and Products," May 1976, p 239.

TABLE 8 : CALCULATED PRODUCTION OF VEGETABLE OILS FROM GHANIS AND ALL OTHER OIL MILLS

Oil-Bearing Material			Calculated Oil Production		
Name	Production[1] (lt)	Crushed (lt)	Total (lt)	From Ghanis (lt)	From Mills (lt)
I. 1973-74					
Groundnut kernels	40.59[2]	32.469	12.663	2.273	10.390
Rape/mustard seed	16.92	14.210	4.712	1.578	3.134
Sesame seed	4.86	3.790	1.435	1.164	0.271
Linseed	4.71	4.145	1.389	0.373	1.016
Castor seed	2.35	2.210	0.880	—	0.880
Cottonseed	20.97	12.580	1.875	—	1.875
Copra	3.45	2.760	1.733	0.320	1.413
Safflower seed	1.97	1.670	0.352	0.329	0.023
Nigerseed	1.22	0.888	0.281	0.179	0.102
Sunflower seed	1.80	1.620	0.564	—	0.564
Total	98.84	76.342	25.884	6.216	19.668
II. 1976-77					
Groundnut kernels	36.83	29.467	11.492	2.063	9.429
Rape/mustard seed	15.62	13.120	4.349	1.456	2.893
Sesame seed	4.04	3.151	1.193	0.968	0.225
Linseed	4.31	3.793	1.271	0.342	0.929
Castorseed	1.72	1.617	0.647	—	0.647
Cottonseed	26.00[3]	15.600	2.340	—	2.340
Copra	3.89	3,112	1.954	0.361	1.593
Safflower	2.17	1.833	0.388	0.362	0.026
Niger	1.10[3]	0.800	0.253	0.161	0.092
Sunflower	2.40	2.160	0.752	—	0.752
Total	88.08	74.653	24.639	5.713	18.926

Source : 1 Production figures for 1973-74 from P G George, U K Srivastava and B M Desai, *loc cit.*
Production figures for 1976-77 from the *Oils and Oilseeds J*, 1977, *30*, (2, Oct-Dec).
2 Being 70 per cent of groundnuts-in-shell (57.98 lt in 1973-74 and 52.62 lt in 1976-77).
3 Figures used were for 1975-76, from Newsletter Nr 40, June 1977 of the Protein Foods and Nutrition Development Association of India, Bombay.

from a variety of sources regarding usage of these materials for oil expression. Though some estimates are old, these concern the edible oilseeds still used domestically, and may therefore still be viable. In regard to coconut, about half the production is direct domestic use in fresh form; other half is converted to its desica form of ball copra, and it is this c modity which is listed in oilseed d Some copra is used domestically, an major proportion is crushed.

The avenues of oilseed crushing determined by traditional criteria flavour and taste on the one hand, on the other by modern econo or utilisation criteria such as be yield, refining to blandness, use further hydrogenation and so on. one time of course all oilseeds w crushed in India in ghanis, but th has been a steady shift over the six decades towards power-opera methods. The figures shown in Tab are mostly from the 1956 report of Oilseeds Crushing Committee,[8] even further depredations in favour mill processing may have occurr This would be particularly relevant respect of the two major oilse groundnut and rape/mustard. La marketing reports in respect to th commodities quote the same figu since these figures are already as l as 20 and 37 per cent respectively, p haps the shifts away from ghani-p cessing may not depress them so mu as to distort the estimates of oil p duction to be made later in this pap High proportions of sesame (83 cent), safflower (94 per cent) and nig seed (67 per cent) are treated in ghan and low proportions of groundnut per cent), rape/mustard seed (37 cent), linseed (30 per cent), and co (20 per cent). No cottonseed is stat to be handled by ghanis, nor any c tor. The latter seems rather unlikely 1956-57, when the report was writt since castor is a traditional oilseed th has long been crushed for rural use a purgative and a lubricant. The hu exports of castor oil in recent yea could however have led to its div sion to the factory for processing.

Production of oil-bearing materi in India is fairly well documented, a figures for 1973-74 and 1976-77 shown in Table 6. The latter was a po oilseed year, and oil production w only 24.66 lt against 28.33 lt in 197 74. Not shown in the Table is a furth contribution from certain new, no traditional oils derived from the soy bean, ricebran and tree seeds, and fro new technologies like solvent-extracti of oilcakes. These will be consider later.

One must next consider the yiel of oil in processing. There is about 5 per cent difference in yield of from any oilseed when processed in

llock-driven ghani and a power ex-ller; this oil of course remains in the ke (from which it can be recovered solvent-extraction). Figures based actual experience have recently en published[7] for seven major oil-eds, and these are shown in Table 7, pplemented with other information four other oil-bearing materials ssing in the published list. From the recoveries and the oil present in ke, the oil content in the oil-bearing aterial has been calculated for the ven oilseeds, and also for sunflower ed based on other data. In one in-nce, that of copra, other figures for e oil left in cake have been utilised; is has given rise to two calculated gures for the oil content in the raw aterial, one from the "ghani" and the her from the "mill" calculation. For fflower and niger seeds, the process s been reversed: the seed oil con-nt has been assumed, published oil covery figures accepted, and the re-dual oil in cake calculated. It must added that only the figures for oil coveries by ghani and by mills have en further employed in this paper, d these are without exception based actual experience.

The calculated production of each getable oil based on its production able 6), quantity crushed (Table 4) d proportion crushed in ghanis and ills (Table 5) is synthesised for the ars 1973-74 and 1976-77 in Table 8. oduction of groundnut is always ated as groundnuts-in-shell and since e shells average 30 per cent,[9,10] the antities of kernels available can easily worked out. This will lower the tal oilseed production figures shown Table 8 over the apparent totals in able 6. Production figures for two lseeds, cottonseed and safflower, not own in the published 1976-77 pro-uction figures, have been adopted om a 1975-76 estimate from another urce.[11] It would appear that ghani-rived oils constituted 6.216 lt in 973-74 and 5.713 lt in 1976-77.

The production figures for oils de-ved from mills shown in Table 8 are low the true ones, since certain new l sources have been disregarded. An timate of these for the two periods der discussion would be as follows lakh tonnes: soyabean oil 0.05 and 20, ricebran oil 0.05 and 0.45, tree-ed oils 0.70 and 0.85, and solvent tracted oils 1.00 and 1.20, total 1.80 in 1973-74 and 2.70 lt in 1976-77. us total oil production from mills uld be 21.468 lt in 1973 and 21.626 in 1976-77.

On this basis, the proportion of oils rived from ghani or non-power means production would be 29.0 per cent in 1973-74 and 26.4 per cent in 1976-77. Yields from improved ghanis and power ghanis are only marginally better (1-2 per cent) than from animal-worked units. Only some 10 per cent of of all ghanis, as shown earlier in this paper, are of the improved and powered kinds, hence their slightly greater efficiency will not affect this proportion to any significant degree.

Back Calculations

One can use the figures for back-calculation also on a different premise. According to KVIC (Table 2), 14,000 reporting ghanis (traditional, improved and powered) produced some 40,000 tonnes of oil. If this production is representative of all ghanis in the country (it may be slightly higher, since improved units are included), then a production of 6.216 lt of oil in 1973-74 would imply that 2.18 lakh ghanis are operating, and of 5.713 lakh tonnes of oil in 1976-77 that 2.00 lakhs of ghanis are in operation. Allowing for inclusion of improved ghanis in the production data, the number of working ghanis is around 2.20 lakhs.

A related reckoning can be made of the capacity of power expellers and rotary ghanis, which form by far largest source of oil in the entire power sector. In 1974-75, as we have seen, there were 90,000 expellers, and 35,000 rotaries, and those produced 19 lt of oil. Assuming equal production by these units, about 15 t of oil are produced by each unit annually. This works out to about 50 kg of oil every day; since the major oilseeds yield about 38 per cent oil on power milling (Table 7), this means that about 132 kg of oilseeds are crushed by each unit on an average every day. That capacity utilisation is very low is borne out by other figures. The installed raw material capacity of oil expeller units (Table 1) is 141 lt against an actual oil production now computed as 19 lt. The latter corresponds, on a 38 per cent oil yield basis, to 50 lt of oil-bearing material, or 35 per cent capacity utilisation: this matches the figures in Table 1 of 40 per cent capacity utilisation for ghanis and expellers taken together, and of 20-30 per cent for solvent-extraction units. The installed capacity of the average oil expeller/rotary ghani in turn works out at about 400 kg/day.

Notes

1 Bimal Jalan, "Production in tiny, small and large-scale sector", *Economic and Political Weekly*, May 20, 1978, p 852.

2 Report of the Power Oil Mill Industry (1957-58), Indian Central Oilseeds Committee, Hyderabad, quoted in Report on the Marketing of Rapeseed and Mustard in India, Ministry of Food and Agriculture, Government of India, Nagpur, November 1966, AMA 155, p 215.

3 Khadi and Village Industries Commission, Bombay, 1979.

4 "Vegetable Oils", The Wealth of India, Industrial Products, Vol IX, Council of Scientific and Industrial Research, New Delhi, 1976.

5 Livestock Census of 1966, quoted by Khadi and Village Industries Commission, Bombay, private communication.

6 Directorate of Oilseeds Development, Hyderabad in Ref 7.

7 *Oils and Oilseeds J*, 1978, 31 (Nr 2, October-December), 31-34.

8 Report of the Oilseeds Crushing Enquiry Committee (1956), as reproduced in "Oilseeds in India (1956-57)", Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India, New Delhi, Nov 1957, p xv.

9 "*Arachis hypogea*", The Wealth of India, Raw Materials, Vol 1, Council of Scientific and Industrial Research, New Delhi, 1950, p 92.

10 Brochure on the Marketing of Groundnuts in India, Directorate of Marketing and Inspection, Ministry of Agriculture, New Delhi, June 1950, p 7.

11 Protein Foods and Nutrition Development Association of India, Bombay, Newsletter Nr 40 (Mimeographed), June 1977.

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Operation Flood: Some Constraints and Implications

K Narayanan Nair

SURENDRA SINGH'S article on the Operation Flood II makes interesting reading.[1] The main thrust of his paper is that there is shortage of feeds and fodder in India and that it will get worsened in the OF II period (1978-85) with the increase in numbers of crossbreed milch cattle. And the land requirement for meeting the feed and fodder deficits are exceedingly large and it will increase at a rapid rate in the OF II period. The worsening of shortage of feeds and fodder will hit the small producers the hardest and therefore the prospects of their being able to derive benefits from this project also will be very bleak. It is further argued that, as in the case of high yielding varieties of crops, the new technology of milk production will be confined mostly to the highly irrigated and agriculturally prosperous regions in the country. This comment is intended to point out some of the limitations of Surendra Singh's paper, especially his estimates of feeds and fodder, and highlights the implications of the shortage of animal feeds for the success of the Operation Flood Project. Besides we will also examine the implications of the large-scale investment in the dairy sector which is expected to be a major instrument for providing employment and income for the weaker sections of the rural households.

I

Estimates of Feeds and Fodder

Surendra Singh's estimates of the requirements of bovine feeds in India during the OF II period is based on the projected population of bovine stock in the country during the project period and their per capita requirement of feed as per the standards recommended by the National Commission on Agriculture. The population projections were done on the following lines :

> The average annual growth rates calculated for the quinquennium 1966-72 have been used in making projections. However, a different procedure was adopted for projecting the population of dry and improved (indigenous) milch animals and youngstock. In each case their proportion to milch cattle and buffaloes during the period 1978-79 to 1984-85 was assumed to be the same as in 1972. This adjustment was inevitable because of the qualitative and quantitative differences in feed composition of improved milch animals, dry milch animals and higher mortality rate of youngstock. For the population of crossbred cattle we have relied up on OF II authorities.[2]

The projected requirements of bovine feeds in the country by the end of the OF II period are about 376 million tonnes of dry fodder, 473 million tonnes of green fodder and about 34.7 million tonnes of concentrates. The availability of bovine feeds obtained more or less on the same lines suggested by the National Commission on Agriculture by the end of the OF II period will be about 298 million tonnes of dry fodder, 274 million tonnes of green fodder and 19 million tonnes of concentrates. Therefore, the estimated deficit of bovine feeds by the end of the Project period will be about 78 million tonnes of dry fodder, 200 million tonnes of green fodder and 18 million tonnes of concentrates. In other words, the country will be deficit roughly by 20 per cent in dry fodder, 40 per cent in green fodder and 50 per cent in concentrates. In order to meet this deficit of feeds in the project period, according to Surendra Singh's estimates, the land requirements will be about 15 million hectares under green fodder and twice as much area under coarse grains. These estimates have serious limitations arising from (a) unrealistic assumptions and (b) faulty methods of calculation of the requirement of animal feeds.

The two major assumptions behind the estimates of feed requirement are (a) that the bovine population in the country will grow in the period 1978-85 at the rate at which it has increased in the period 1966-72, and (b) the proportion of improved cows in the milch animal population will remain constant through the seventies and the eighties. The implication of the first assumption is that the biophysical and techno-economic conditions affecting bovine production in India in the first half of the eighties will be the same as that which prevailed in the second half of the sixties. This assumption is highly questionable because (a) agricultural mechanisation in India has been increasing at a fast rate in the seventies which reduce the demand for draft ani considerably. Therefore, it is poss that the milch animal population grow at a faster rate in the eigh than in the sixties. Comparison of growth of the bovine stock betw the period 1966-72 and 1972-77 cle shows that a process of this kind been taking place in many states.[3] second assumption is questiona because (a) the attempts to upgr milch cows and milch buffal through artificial insemination been continuing in the post-1 period and will be continuing in OF II period as well. In other wo this implies a likely increase in proportion of improved milch bovi in the seventies and the eighties. sides the rationale behind the assu tion that the proportion of improv milch cows in the adult female cat population is around 10 per cent the early seventies has not been ma explicit.[4] There is no evidence wh suggests that the incidence of mor lity rates among the improved mil animals and youngstock are signi cantly different from those amo the non-descript stock.

The estimates of bovine populati presented in Surendra Singh's pap (Appendix Table 1) are doubtful many respects. In item 3 of this Tab it is shown that 10 per cent of t cows which are over three years a dry are improved milch cows. Th implies that all the improved mil cows in the country may not be pr ducing any milk (since there is n any improved cows in milk as p his Table) at all in the OF II period. item 6 of the same Table 12 per ce of the improved milch cattle has be added to the estimated population she-buffaloes in milk. The reason f including cows in she-buffalo popul tion is not given. Item 9 of the sam Table complicates the issues further the figures given here actually rela to the population of the nation milch herd to be built up during t OF II period. This includes both cros bred cows and she-buffaloes. The pr ject authorities unfortunately have n provided any break-up of the nation milch herd by species type. This b ing the case, one wonders why Sure dra Singh has considered the nation milch herd to be consisting of on crossbred cows. Since he has appli the standard feed requirements of b vine-stock to the projected populati of bovine stock which as per his Tab is faulty, his estimates of feed r

irement should also be defective. rther, if his objective was to bring t the impact of the increase in ossbred milch animals on the avail- le feed resources what he should ve done is to (a) estimate the feed quirements of the non-crossbred rt of the bovine stock at the current el of feeding and (b) then to esti- ate the feed requirements of the ossbred stock separately and com- re the resulting total with the esti- ated requirements (at current levels consumption) of feed for the pro- ted size of the bovine herd by eping the size of the crossbred ck constant at 1978-79 level in e OF II period.

The argument that there is severe ortage of feeds and fodder in India s been well established by several iters on the subject. Recently the tional Commission on Agriculture s provided fairly reliable estimates prove this.[5] It is also pointed out the NCA that the addition of brid milch animal stock to the tion's milch animal population will ert considerable pressure on the ailable feed resources. And the mmission has recommended several ps to meet the shortage of feed. t on the practical plane these re- mmendations are difficult to imple- nt because they involve (a) conside- le diversion of land and irrigation the production of animal feed and large-scale investment in research d development and extension work farms on animal feed production. hile the first aspect is essentially a estion of the political economy of lian agriculture (since it involves nsiderable reorganisation of the rarian sector) the latter involves orts in developing new technology feed production including the identi- ation of new high-yielding varieties fodder and its propagation. And refore it is not possible to expect dramatic change in the production animal feeds in the country in the r future. Under such conditions success of the livestock production gramme from the point of view of ply of animal feeds will depend on performance of crop production especially the production of coarse eals, pulses and oilseeds. Unfortu- ely, the country has yet to make a akthrough in the production of se crops. On the other hand, avai- evidence shows a deceleration in area, yield and output of these ps in the past two decades. There- , one has reason to support the argument that the introduction of hybrid animal stock would intensify the pressure on available feed resources in the OF II period. It is a pity that the project authorities have not given sufficient attention to this important aspect of the milk production programme. All that one can find in the project report is the allocation of few million rupees for installing feed mixing plants in the project clusters.

Animal husbandry in India has evolved in the past few decades in the face of severe shortage of feeds and fodder. There has been significant increase in the bovine population and the breeds of animals evolved in the country have been suitable to the ecological and socio-economic conditions of the agrarian sector. The conversion efficiency of indigenous milch animals is far below that of the hybrid animals reared in the Western countries because of the higher requirements of energy for body maintenance of the former compared to the latter. Therefore, the extent of feed intake converted into milk in the former breeds tends to be lower than in the latter breeds. The new technology of animal breeding through crossing the hybrid Western breeds with the indigenous breeds is intended to increase the genetic potential of the latter so as to raise their conversion efficiency. This technical change in milk production will help in producing a higher quantum of milk per unit of feed input at a lower cost. This is equally true in the case of upgrading of she-buffaloes as well. At the same time, the crossbred bullocks are reported to be inferior draft animals compared to the indigenous bullocks. Besides, unlike the indigenous breeds of cows which can survive on village pasture and scanty feed, the crossbred animals require balanced feeding, better care and management. Above all, the stabilisation of the quality of the crossbred animals also involves a selective process of slaughter which is contrary to the selection through starvation leading to natural death of the indigenous stock now taking place in most parts of the country. And it is a well known fact that the socio-political conditions prevailing in most parts of India are against the slaughter of cows. Therefore, by creating a national herd of crossbred milch animals in the OF II, the project authorities are indulging in 'genetic hypocrisy'. Even the project authorities have not expressed their awareness of the importance of this aspect in the OF II Programme. Again, the underlying assumptions behind the introduction of OF II national milch herd is that the creation of the hybrid animal stock will result in reduction in the bovine population of the country. This is expected to happen through a gradual process of replacement of the large low productive stock that now exists with a smaller high productive stock which in turn may reduce the pressure on available feed resources. But this kind of replacement is impossible in a country where the mechanism of efficient selection of the animal stock is virtually non-existent.

TABLE: PERCENTAGE DISTRIBUTION OF MILCH ANIMAL HOLDINGS AND PERCENTAGE OF HOUSEHOLDS REPORTING OWNERSHIP OF MILCH ANIMALS BY DECILE GROUPS OF HOUSEHOLDS (CLASSIFIED ACCORDING TO VALUE OF ASSET) IN RURAL INDIA, 1971-72.

Decile group of Households	Cumulative Percentage Distribution of Milch Animals	Percentage of Households Owning Milch Animals in Each Decile
bottom 10 per cent	1.0	4.7
10—20	4.9	16.2
20—30	12.0	34.4
30—40	20.4	38.3
40—50	30.5	44.2
50—60	40.8	49.4
60—70	54.4	62.4
70—80	65.9	52.8
80—90	83.9	82.3
90—100	100.0	73.8
Over all	100.0	47.7

Source : Reserve Bank of India, Department of Statistics, All-India Rural Debt and Investment Survey (1971-72), Special Tables on Livestock, Agricultural Machinery and Implements.

II

Dairying for Rural Change

Development of dairying in India through the OF II project is expected to help the landless labourers and small and marginal farmers in angumenting their income and employment. It will be interesting to examine to what extent the present pattern of ownership and distribution of milch animals in India is viable in attaining this objective. The relevant data are given in the Table. The distribution of households is presented in the Table according to the value of rural assets. As is evident from the Table, in the country as a whole 48 per cent of the

households owned milch animals. Besides, the ownership of milch animals is concentrated more in the top decile groups of households. If we look at the distribution of milch animals across different strata of rural households it comes out that their distribution is weighted highly in favour of upper stratum.

What is the effect of investment in dairying within such a structure of milch animal holdings? The obvious answer is that the better off in rural areas will be able to derive a higher quantum of the benefits. At the same time, the relatively weaker sections may be able to derive a higher level of benefits from this investment compared to investment in land or irrigation, the distribution of which is much more skewed than the distribution of milch animal holdings. It is also to be mentioned that investment in dairying in terms of the new technology of breeding, milk marketing, processing and distribution will result in the long-run in widening of the disparity in the distribution of rural income. This is mainly because the new technology of milk production is capital intensive and risky and therefore the relatively better off sections in the rural areas will be able to make more use of such investment. This will be especially important in a situation where the supply of animal feeds is limited.

Of course we are not neglecting the importance of the co-operative institutions to be built up in the OF II period and which have been already functioning in many of the OF milk-sheds. These co-operative organisations, according to the project authority, will be an important agent in correcting the distortions in the factor and product markets and will help the poor more in augmenting milk production. Here again, the attainment of this objective will depend on the people who controls the co-operative organisations and their class interests. And one has serious doubts whether the fate of the co-operative institutions will be different from that of the agricultural marketing and credit co-operatives functioning in the country. A careful study of the Anand milk producers union might have provided enough insight into this. Unfortunately, till today there is no serious attempt made to study the functioning of this organisation. Even the project authority which has drawn up the OF II project has not undertaken any critical evaluation of the Anand model dairy co-operatives and the implications for replicating these models in other regions in the country.

Analysis of the growth of dairying in India by regions for the past one decade has shown that the performance of this sector has been much better in a few areas where the production of feed resources is low.[6] In these regions, the bulk of the contribution to the increased production has been due to the enhancement of productivity of milch animals, especially that of cows. And studies conducted for the state of Kerala have shown that the rise in productivity of milch animals has been mostly due to the increase in proportion of crossbred cows in the milch animal population.[7] Therefore, the argument that the new technology of milk production will be confined mostly in regions where the new technology of agricultural production has taken shape may not necessarily hold true. It is also to be mentioned that the OF II districts are widely dispersed among most of the states and they include both agriculturally prosperous and backward regions.[8] It is premature to argue that the growth of dairying in India through the OF II Project may result in widening of regional inequality.

III

Conclusion

Though the estimates of feed requirements of bovine stock by Surendra Singh is defective in many respects, estimates available from other sources do support his proposition of severe shortage of animal feeds. And this shortage is likely to get worse in the OF II period, unless there is some remarkable breakthrough in the production of coarse grains, pulses and oilseeds in the OF II period. While drawing up the OF II Project, the Project authority has not considered the uncertainty in the production of animal feeds. This in turn casts serious doubts about the feasibility of attaining the targets of milk production envisaged in the OF II Project. Besides, the Project authority seems to have ignored a wide range of issues relating to the control of the size of milch animal herd and stabilisation of its genetic quality (especially that of the crossbreds) in the project period.

Development of dairying through the OF II Project is reported to be for the benefit of the weaker sections of the rural population. Analysis of the distribution of milch animals and their ownership among different strata of rural households clearly indicates it is the relatively better off in rural areas who are likely to be more from this project. In the run this may result in widening o equality in the distribution of income. But it is premature to a that the Project may result in wi ing regional imbalances in econ development.

Notes

1 See Surendar Singh, "Oper Flood : Some Constraints and plications", *Economic and tical Weekly*, October 29, 197

2 *Ibid.*

3 See for details, Directorate Economics and Statistics, "Tw All India Livestock Census, 19 Abstract of Statement of stock, Poultry, Tractors and ing Tackles.

4 According to the 1977 lives census for Kerala, the percen of improved milch cows in total adult female cattle pop tion is about 50 per cent. fortunately, similar data for o regions in the country are not available.

5 See Government of India, M try of Agriculture and Irriga Report of the National Com sion on Agriculture 1976, VII, Animal Husbandry.

6 These findings are reported i paper "Milk Production in In Trends and Sources of Grov being prepared by the author the Centre for Development dies, Trivandrum.

7 See K Narayanan Nair, "Milk duction in Kerala, Trends Prospects", *Economic and tical Weekly*, Review of Agri ture, March 1979.

8 The list of districts already sel ed for OF II Project and t geographical location are avail on page 106 of the project rep See for details Operation Flood A Proposal by the National D Development Board, Anand.

Colour Chem

COLOUR-CHEM's Roha unit, wh commenced production of dichlorob zidine in March last and of pigm shortly thereafter, was formally in gurated by G Fritz of Bayer, W Germany, the technical collaborator. was impressed by the technical ex lence existing within the Colour-Ch organisation in the fields of chem engineering, design, process knowl and instrumentation as well as fa cation and construction of structu He was pleased that all the pl machinery and equipment insta there were manufactured in India, were equal in performance and q lity to the best manufactured where in the world.

ECONOMIC AND POLITICAL WEEKLY

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The Caste of the Poor

ON the night of February 25/26, 500 armed men, hired by landlords of the area, attacked the scheduled caste agricultural labourers of Pipra village in Patna district of Bihar. Fourteen persons, including four women and six children, were slaughtered and their bodies thrown into the blazing huts by the attackers. Virtually the entire village was burnt down.

The event has evoked the by-now predictable responses. Here was yet another case of upper caste atrocity against 'harijans'. The Union home minister rushed to Pipra, accompanied by his minister of state and the state governor. So did Jagjivan Ram — how could he not but, since after all he is the one acknowledged leader of all the country's 'harijans'. The Janata party sent a five-member delegation. Many others too made the political pilgrimage.

The home minister duly described the holocaust as the "worst in recent memory". He warned officials of the Bihar administration and police against any lapses in their basic duty to provide safety and security to the people, especially 'harijans'. This was said in public and was duly reported in the press; what he had to say to officials in private is not known. He also promised unspecified short-term and long-term measures to rehabilitate the survivors of Pipra. The minister of state for home held the "casteist politics" of the former Janata government in the state, headed by Karpoori Thakur, responsible for the attack on scheduled castes by the backward castes, whose aggressiveness is generally believed to have been encouraged by the Janata government. He suggested expansively that scheduled caste people scattered in different hamlets be brought together and "provided houses, land and security". The Bihar government was said to be considering "tough measures" to put down caste violence and atrocities against 'harijans', including imposition of punitive taxes whenever caste riots broke out in the state.

There is, it is evident, a tacit consensus among all, in the government and outside, including Jagjivan Ram and leaders of the Janata party, to portray the Pipra holocaust as a caste conflagration and to draw as little attention as possible to the real cause of the long-standing tension between the scheduled caste agricultural labourers and the backward caste landlords — the landlords' steadfast refusal to pay the minimum wages for agricultural labour prescribed by law. One has only to consider the Pipra outrage together with the one at Parasbigha, just 20 days earlier, in Gaya district in Bihar, to appreciate that neither was primarily a caste phenomenon. In Pipra the attackers were backward caste kurmis and the victims were scheduled castes; but in Parasbigha it was the backward castes, supposedly the rising force in Bihar politics, who were at the receiving end and the attackers were upper caste bhumihars. What the victims of Pipra and Parasbigha had in common was not their caste, but the fact that they were both part of the rural poor — landless labourers in Pipra and poor peasants and shepherds in Parasbigha. Similarly, what the attackers had in common also was that, though they came from different castes, in both places they were the landlords. In Pipra the issue was agricultural wages; in Parasbigha it was wages and the expropriation of the poor peasants' lands by one of the landlords and his appropriation of even the village pasture land, denying its use to the backward caste shepherds. Of course, it would not do to deny the role of caste altogether. In both Pipra and Parasbigha, caste evidently isolated the scheduled caste poor and backward caste poor, respectively, from the rest of the poor and enabled the backward caste and upper caste landlords, respectively, to mobilise their fellow caste-men. In other words, caste emasculated the poor and reinforced the rich.

In both Pipra and Parasbigha the government machinery was overwhelmingly on the side of the landlords. In Parasbigha it allowed the landlord concerned to pursue his land-grabbing activities without let or hindrance; it did not intervene even when he refused to allow backward caste poor peasants to draw water from a government-installed tube-well. In Pipra it stood by and watched as year after year the landlords refused to pay the minimum wages stipulated by a law enacted by the state government itself. When the home minister visited Pipra, the labourers even complained to him that they had not been paid any wages at all by the landlords for months. The partisanship of the government apparatus on behalf of the landlords went further. As the agricultural workers organised themselves to press for better wages, the state government actually issued licences for guns to the landlords. Did the government, which is now after the event making a show of seizing

the landlords' guns, expect that the landlords would keep their guns as ornaments and not use them, as they did at Pipra, for the purpose for which they had acquired them? The culpability of the government extends even beyond having provided the landlords with the means to perpetrate the massacre of agricultural workers on the night of February 25/26. In addition to arming the landlords, the government had posted police pickets in many villages around Pipra. Why did these policemen not intervene when the landlords were carrying out their well-organised attack on Pipra, lasting many hours? Obviously, because their officially assigned task was to put down only the agricultural workers and their organisations.

After all, it is not a chance omission that even as all manner of noises of sympathy and succour for the so-called 'harijans' are being made in the aftermath of the Pipra massacre, none of the government spokesmen, from the Union home minister down, has found it convenient to make a straightforward declaration that henceforth the state government's minimum wages Act for agricultural workers would be strictly enforced and the landlords would be compelled to pay the legally-prescribed wages. It is altogether more harmless to indulge in bombast about setting up a special court to try those accused of the Pipra massacre, providing "houses, land and security" to the survivors, strengthening the 'harijan grievances cell' under a DIG and even creating a special police force to deal with 'atrocities against harijans'.

Politics

Securing the Capital

THE 'healing touch' that Indira Gandhi promised soon after her victory in the Lok Sabha polls promises to become a virtual smother. Even a mere listing of the favours shown (and the chastisements administered or threatened) shows how in the view of Indira Gandhi, the Janata had essentially been a usurper's regime, to be erased if possible even from the records. As far as the new government is concerned, its duty appears to be to carry on from where it had left off — March 25, 1977.

Starting with the appointment of Pritam Singh Bhinder as the Commissioner of Police, Delhi, there has been a virtual flood of restoration of some of the more notable personages of the Emergency to positions of authority, in many cases far higher than the ones they had held. The most significant of these appointments, of course, has been that of Jagmohan as the Lieutenant Governor of Delhi. Among others rehabilitated are the former special assistants to D P Chattopadhyaya and V C Shukla, the brother of R K Dhawan, and the like. More material has been the replacement of the director of the CBI, which has meant that in many of the still nominally going-on enquiries and prosecutions regarding the excesses and crimes of the Emergency, with a not at all surprising consistency the agency has either closed the investigation or its new counsels have been coming before the courts with uniform briefs — that the evidence against persons whom the CBI was prosecuting barely weeks before does not really exist and hence the prosecutor should be allowed to withdraw the cases.

What stands out in all this weeding out of the undesirables and the replanting of the hardy and the tested is that much of it has been confined to the Delhi administration. The elevation of Bhinder, for instance, has been followed by a major shake up in the Delhi police administration involving 18 assistant commissioners and 27 inspectors including several station house officers. It is not unlikely that similar weeding out and replanting has taken place in other branches of the bureaucracy as well.

Qualitatively, the changes in the Delhi administration appear to be more significant than the changes elsewhere in the country. It is true that the Congress(I) is trying to regain control in the states as well, and towards that end has already made a bold beginning by dismissing the governments in nine states. But the difference between the changes that have already taken place in the various states or are being contemplated and those that have taken place in Delhi is that what is being sought and achieved in Delhi is not direct political power, but the seemingly less important administrative control. After all the 'popular' government in the capital, even under the most propitious circumstances, has never had more than ceremonial appearance of authority, a kind of glorified municipal government. The political set-up in Delhi, still under the Jana Sangh wing of the Janata party, has not been disturbed even though the logic behind the dismissal of state governments should have applied with equal force in the case of Delhi where the Congress(I) won six of the seven seats for the Lok Sabha. But while the Delhi metropolitan council has been left alone, it is the New Delhi municipal committee that has been superceded after its Chairman was replaced another loyalist.

This bespeaks of a thinking rat new in Indian politics. Instead of regime at the Centre acquiring power and legitimacy as a consequ of its political control in a majority states, the new kind of politics se to control the Centre and thus periphery. The kind of control that sought is also not of the traditio kind; rather, it is of the civil a police bureaucracy at all levels. W is odd about this phenomenon that it has not been attempted the states — even in the so-call 'crucial' states like UP and Bihar, h only in Delhi. Since Indira Gan herself has demonstrated that it possible both to lose power and reg it through the well-tested parliamenta devices, this charting out of possi alternative paths is certainly cu ous. For, except in a polity wh coups and putsches are the only possi ways of effecting changes in gover ment, the administrative control of t capital has not been considered mo important than almost anything el

Tyres

Manufacturers *vs* Dealers

IT does take one by surprise to find t trading community petitioning t government for imposing price control but according to reports appearing the press, automotive tyre dealers wa government to reintroduce price co trol on tyres, which had been lifted March 1974. This demand has be justified in terms of the need to brin 'order' into the tyre market. What th traders describe as the current 'chaoti conditions in the tyre market is appa ently the result of successive hikes i tyre prices effected by the manufa turers even as there is a virtual glut tyres in the market.

After the oil crisis of 1974, the ty industry, which had dictated its ow terms till then, started facing a buyer market. This was because of the sha decline in demand for automotive tyr due to a fall in automobile productio in general and production of cars particular, and the resultant shrinkag in the demand for originally fitte tyres. The prohibitive cost of dies and petrol has also necessitated mo judicious use of automobiles, which turn has affected the tyre turnover rat

This unexpected development, whic has upset the earlier demand proje tions, changed the tyre supply situatio in the country from that of a shortag to one of surplus. The position w

worsened by the commissioning of new tyre units, such as J K and Apollo, with sizeable production capacities which had been launched during the period of shortage of tyres.

The slackening of demand notwithstanding, tyre manufacturers have been raising selling price continuously, on the pretext of increasing production and other costs. For instance, a truck tyre that used to cost Rs 1,900 in 1974 had gone upto Rs 2,700 by mid-1977 and it is now priced Rs 3,750.

The high and rising prices of tyres have made retreading more economical and forced truck operators, who are unable to pass on the increasing cost to their clients in the face of severe competition within the road transport industry, to go increasingly for retreading of old tyres. This has been another contributory factor to the recession in demand for tyres.

The cumulative effect of all these developments is the present glut in tyres. As most of the tyre units have concentrated on truck tyres because of their higher profitability, the glut is more pronounced in these tyres.

While tyre manufacturers have sought to safeguard their profits through continuous increases in unit prices, the drop in sales has hit the dealers badly. In fact, the dealers are caught between the manufacturers' insistence on their listed prices and the consumers' unwillingness to buy at these prices. Manufacturers also force dealers to lift fresh supplies of tyres from the factories even though they may be already burdened with huge stocks, under the threat of termination of dealership. As a result, there has been a notable build-up of inventory with the dealers, who claim to be holding approximately two months' stocks instead of the normal two weeks'. The dealers also claim that the manufacturers are refusing to provide them credit, on the plea of a credit squeeze by banks. Unable to maintain large stocks, dealers often resort to price cutting. According to reports, in the case of truck tyres, which account for 80 to 90 per cent of the turnover of the dealers, a discount of around Rs 500 over the stipulated retail price is being offered.

The dealers are trying to offset the adverse circumstances in regard to truck tyres by selling at a premium car, scooter and light truck tyres, which are in good demand. But here again, their manoeuvrability is restricted by the tie-up of truck and other tyres insisted on by the manufacturers.

The calculation behind the dealers' demand for price control appears to be that a reduction in the price of tyres would reduce their inventory cost and loss on sales of truck tyres. It may also improve demand for truck tyres and slowly help them to come out of the glut.

Haryana

Police and Crime

Mukundan C Menon writes:

WHILE Indira Gandhi quite rightly condemned the atrocities at Narainpur and Parasbigha in the then Janata-ruled Uttar Pradesh and Bihar, and quite cynically cited them to justify the dismissal of those state governments, she is invariably quiet when similar atrocities take place in states controlled by her own party. The gruesome incident at Dhahina village, Mahendergarh district in the now Congress-I ruled Haryana is a case in point.

Gangumal, belonging to Bawaria community, of Dhahina village, 30 km from Rewari town in the Rewari-Mahendergarh Road, was taken for 'questioning' on some petty theft case to Narnaul Police station on November 1, 1979. After four days of 'questioning', Gangumal died on the night of November 4-5. The post-mortem, held at the Narnaul Civil Hospital on November 5, recorded the reason for Gangumal's death as "sudden heart failure".

After the post-mortem, the police took Gangumal's dead body to Dhahina village and left it on the roadside near the village on the early hours of November 6. By that time the villagers were very much outraged, because when on the evening of 4th, Gangumal's wife, Misarli Devi, had carried food for her husband to the police station, she had been first denied permission to see her husband and later allowed to see his dead body. (According to some villagers, the Narnaul police spread a rumour that Misarli Devi had herself strangled her husband when she saw him last in the prison.)

When the dead body reached the village, a People's Committee was formed with the active initiative of four young men — Udey Bhan, Romesh Yadav, Satyavan and Raj Kumar. Convinced that there had been foul play, the villagers refused to cremate the body and sent a memorandum to Charan Singh and Y B Chavan, the then caretaker Prime Minister and Home Minister. An order for fresh post-mortem was thus secured on November 10, 1979. The second post-mortem, held on November 14, 1979, at Rohtak Medical College, reportedly said that Gangumal had died of injuries sustained in the course of severe torture.

On the basis of this report, Misarli Devi registered a case under Section 302 IPC against two constables, Hazari Lal and Banwari Lal, of the Criminal Investigation Agency, Narnaul. She was to appear in the Court on January 25, 1980. The case was initiated with the help of the People's Committee.

All this happened when the Chief Minister, Bhajan Lal, still in the Janata Party, was deeply involved in the mid-term elections. Following the victory of Indira Gandhi, Bhajan Lal and most of his colleagues shifted their loyalty to Congress-I.

In the early hours of January 23, 1980, about 40 persons reached Dhahina village in two vehicles. They went to Misarli Devi's house, dragged her outside, and shot her point blank. The widow of Gangumal, who was to appear in the Court two days later, fell dead on the spot. Her aunt, Phool Bhai, tried to come to Misarli Devi's rescue and received a bullet in her chest and was rushed to the hospital where she was to remain for eight days.

The whole incident on January 23 took place in front of many villagers. Many of them saw that the vehicles, used by the assailants, were distinctly marked "Delhi Police". Phool Bhai has alleged that while leaving after killing Misarli Devi, the assailants said that "Misarli had paid the price for filing the case against the police". Bakhtawar Singh and Mohan Singh, President and Secretary respectively of the Bawaria Samaj, and witnesses in Misarli Devi's case against Gangumal's death, were threatened by the police against giving evidence in the Court.

The atmosphere in the village is today permeated with terror. The village Sarpanch, for instance, refuses to speak to outsiders on the incident. Meanwhile, the Senior Superintendent of Police, Mahendergarh, has denied the involvement of Haryana Police in the death of Misarli Devi. Confirming reports that the vehicles used by the assailants on January 23 belonged to Delhi Police, the SSP explained: "The Delhi Police were in search of some Bawarias in connection with the recent spurt of crime in Delhi. The special staff of Delhi Police had first raided Barsana village, and reached Dhahina on January 23. A scuffle took place between them and Misarli Devi, and an inspector of the police party fired at her".

Thus, Misarli Devi, who was earlier accused by the Haryana police as the one who strangled her husband to

death at Narnaul Police Station, is now being branded after her own death as a decoit in Delhi. The question, however, remains: If we were to believe the words of Mahendergarh SSP and the villagers, under what law did the Delhi Police Inspector fire at the unarmed women, Misarli Devi and Phool Bhai? The police, however, have not so far forwarded any theory of the so-called 'encounter'.

West Asia

Wages of Surrender

THE exchange of ambassadors between Egypt and Israel is not an especially significant event. However 'dramatic' the actual official presence of the representatives of the two countries in each other's capitals might be, it is merely yet another phase of the agreed procedure towards the establishment of full diplomatic and political relations between the two countries.

The question, then, is whether Egypt can make even the limited gains that it hoped to by this surrender? All indications suggest that such will not be the case. For one thing — and quite in accordance with established practice — Israel has followed this demonstration of Egypt's pliability with yet another act of aggression against the most vulnerable Arab country, Lebanon; the situation in Lebanon is hardly conducive to assuring Arabs of the peaceable intentions of Israel.

Secondly, opposition to the move has been expressed even by the loyalist opposition that Anwar Sadat allows in Egypt. But so sensitive is Israel to nuances of Egyptian opinion that the subdued unhappiness expressed by the loyal opposition in Egypt to its exchange of ambassadors had brought forth a firm rebuke from Israel.

That the Egyptian move has not received any support from other Arab countries is obvious. What is less so is that the exchange of ambassadors, even when it was, fortuitously, timed conveniently for Egypt, has engaged the hostile attention of other Arab and Muslim countries. Despite demonstrative expression of solidarity with the Islamic world on the issue of Soviet armed intervention in Afghanistan, the Islamic world itself has included Egypt, along with Afghanistan, in its final declaration of condemnation at the Islamabad conference.

In fact, far from gaining specific national objectives, Egypt's action has helped Israel to overcome some of the minor strains that had marked recent US-Israel relations in view of Israel's refusal to make a gesture of accommodation of Egyptian opinion and agree to something more than the most formal kind of administrative power to the yet-to-be-elected local authority in the West Bank.

But for the developments in Afghanistan, the exchange of ambassadors would have taken place under the worst possible circumstances. The Sadat-Begin summit six weeks ago was a disaster — but only confirmed the experience of the Egyptian leader since he took the long road downwards that negotiations for Israel mean only surrender; concessions meant only concessions on the part of Egypt. The intransigence of Israel regarding its right to establish fresh settlements in the West Bank even while being theoretically committed to an *eventual* autonomous status for the region — admittedly falling far short of even the limited Egyptian expectations, not to speak of the expectations of the palestinians themselves who demand nothing short of independence — and the persecution of those Arab leaders in the West Bank (like the Mayor of Nabulus, and now, the Mayor of Hebron) who have opposed the establishment of fresh settlements in the West Bank, should have convinced the Egyptian leader of the quite different connotations terms like negotiations and concessions have for Israel.

All in all, even the terms of the surrender agreed to by Egypt in its treaty with Israel have not been fully complied with by Israel, and the most modest of the 'concessions' that Israel had agreed to — the establishment of an "elected self-governing authority" — is still as remote as ever. With neither Jordan nor any repesentative organisation of the Palestinians agreeing to have anything to do with the terms and modalities set out in the 'framework' of September 1978, and with Israel itself continuously mocking the 'self-government' of the proposed 'authority' in the West Bank by its various actions, the 'self-governing authority', if it ever emerges, cannot but be a creature of Israel, just as Israel itself is a creature of the United States.

Despite the almost complete rejection of the 'settlement' in West Asia by almost all the Arab nations, the fact that this mirage is still being pursued by the parties concerned, with the active prodding of the US, shows what great importance the United States attaches to the working of the settlement. The consistency and the historic continuity of US policy *vis-a-vis* Egypt and Israel is certainly striking. The aim of the US has always been to detach Egypt from other Arab countries and secure the acceptance of the most populous and, infrastructurally, the most advanced Arab nation to make a break with the other Arab countries, by encouraging if necessary extreme Egyptian nationalism.

But the fatal weakness of all such arrangements and settlements that big powers have tried to impose on small countries is that they all fail to take into account what the people themselves might want. The key issue in West Asia has, from the beginning, been the Palestinian people, and no settlement that does not take into account their aspirations will ever succeed. Successive plans for the region concocted by various powers have never secured support even from the more conservative sections of the not insignificant Palestinian bourgeoisie prospering outside Palestine, let alone the mass of the Palestinian people in camps or in the occupied territory.

Arab unity has ever been a fragile element; the Arab countries have derived their attitudes towards the Palestinian question from quite different historical and political premises. Hence, the drawing away of Egypt from the Arab ranks has been only the most serious, but not the first, instance of weakening of a united Arab stand. The victories that the Palestinians have won have often been despite the Arab governments, not because of them; such no doubt will be even more the case in the future.

That in the continuing struggle for national self-determination, the Palestinians cannot depend even upon the seemingly most reliable Arab governments has been once again demonstrated in the positions of the governments of Iraq and Syria on the ongoing developments in Lebanon. Syria which once tacitly collaborated with the Falangists in containing the leftist guerillas in Lebanon is now seemingly more radical, while Iraq which was loud in its denunciations of Syrian collaboration some years ago is now playing a decidedly conservative role — no doubt influenced by its war against domestic communists. All these show, if any such proof were required, that the Palestinians can have few permanent friends even among Arab governments; that if their struggle has to succeed against Israel backed by the United States, it has to be on their own innate strength, the justice of their cause, and the fact that time is on their side.

Scientists and Bureaucrats

THIS has reference to the comment on Science and Technology, 'Bureaucratic Manoeuvres', *EPW*, November 24, 1979.

While it is true that the bureaucracy, as quite naturally, used every opportunity to expand its own power and impose its own culture in all spheres of governmental activity including science, it is neither fair nor correct to put all the blame for the present state of science and scientific institutions in India on the politician and the bureaucrats. The fact is that in their craze for power scientist managers have in no way behaved better than the politicians and the bureaucrats. The scientist managers have interpreted the freedom from day-to-day political interference as freedom from all accountability, while it should have meant accountability to the scientific community and society at large. If the bureaucrats have increasingly acquired more powers in the scientific departments it is because the scientist managers who, mind you, were given complete ascendency over the bureaucrats in their respective departments, sought their (bureaucrats') help and collaboration in fighting wars against the working scientists. A study of the increase of the bureaucrats power in a department like Atomic Energy where, to begin with, the scientists definitely enjoyed the pre-eminent statutes, would clearly show how this has paralleled the need of the scientist managers to suppress internal dissent. By selective use of rules and regulations the bureaucrats helped the scientific bosses in giving an appearance of legitimacy to their arbitrary and illegal actions, of a penal or a rewarding nature, against the working scientists.

Today things have reached a stage where even in purely scientific and technical matters the breaucrats represent the scientist managers. For instance, in a recent case where a junior scientist gathered enough courage to question the morality of an untenable claim being made by the department concerning a scientific project on which the former had worked, the Chairman, AEC, appointed an additional secretary, an IAS man, to look into the matter. It was this non-technical official who summoned all the expert scientists and examined their scientific data to advice the chairman on further action. That the earlier claims of the senior scientist have been found untenable and the project quietly dropped after an enquiry by several scientists is perhaps far less important than the fact that initially all the concerned scientists had to appear in the court of a pure bureaucrat to explain their scientific work. Obviously the Chairman AEC is now more dependent on this bureaucrat for even scientific matters than on any qualified scientist.

P T GEORGE

All India Atomic Energy Employees' Co-ordination Committee,

Bombay,
February 24.

Assam: Turn for Worse

THE comment on the present situation in Assam (January 19) is an exercise in pseudo-Marxist jargon tailored to meet the needs of great nation chauvinists and crypto-imperialists who use the signboard of peace and socialism. Let us point out a number of inconsistencies. Neither the Government of India nor the Election Commission actually conceded the demand for postponing the elections in Assam; it was the mass movement which completely upset the entire election process in twelve out of fourteen parliamentary constituencies. Your reference to "constant tension" is in line with the oft-repeated pleas for compromise and reconciliation and helps you sit on the fence between those who genuinely fight oppression and exploitation and those who resort to them to further their imperialistic designs. Your mention of "foolhardy, adventurist confrontations" completely tears off your pseudo-Marxist garb. Can you deny that Marxism in the ultimate analysis means confrontations? Have not those who see adventurism on the part of ordinary people overlooked the adventurist military intervention in the internal affairs of other countries? Should a Marxist be afraid of "confrontationist postures" and try to sell a formula that does not distinguish between the culprit and his victim? Your plea for an "all party meeting including the leaders of the agitation" has now been accepted by the Government of India, but solely for the purpose of determining the definition of a 'foreigner', as if the Constitution does not already provide such a definition. Your reference to the "exploitation of the genuine apprehension of the Assamese people about being reduced to a minority in their own state" smacks of capitalist logic according to which proletarian leaders that whip up class hostility and class hatred are criminals. Indirectly you hold the All Assam Students Union and All Assam Gana Sangram Parishad guilty and want them to call off the agitation. This is one way of bringing grist to the mill of the oppressors of various hues and of the colonialists.

LILY BARA

Diphu,
February 15.

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Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (9.2.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-7
All Commodities	1000	226.7	1.1	22.9	19.0	−0.1	5.1	2.1	−1
Primary Articles	417	211.9	—	19.2	17.2	−1.4	9.7	0.8	−6
Food Articles	298	185.9	−0.7	12.5	9.6	−0.7	11.7	−5.1	−4
Non-Food Articles	106	203.2	2.0	16.6	16.8	−4.6	6.1	19.7	−14
Fuel, Power, Light and Lubricants	85	295.5	0.1	23.0	14.4	4.4	1.4	5.3	10
Manufactured Products	499	227.4	2.2	25.8	21.5	0.1	2.2	2.3	1

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13

Money and Banking	Unit	Latest Week (8.2.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	24,605	299 (1.2)	3,494 (16.6)	2,747 (12.6)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,23 (10.
Net Bank Credit to Government	Rs crores	18,300	192	3,287	2,908	1,921	2,449	910	55
Bank Credit to Commercial Sector	Rs crores	29,730	339	4,798	4,397	4,111	2,718	3,111	2,72
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,455	−81	190	36	974	1,991	1,378	65
Deposits of Scheduled Commercial Banks (latest week 15.2.80)	Rs crores	31,174	99 (0.3)	4,947 (18.9)	4,299 (16.0)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,32 (19.

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	146.3[9]	150.6	147.4	2.2	6.8	5.3	9.8	4.7
Basic Industries **	32.28	158.4[6]	169.6	161.2	5.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	155.4[6]	165.5	156.4	5.8	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	132.7[6]	139.1	131.7	5.6	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	119.5[6]	138.2	143.4	−3.6	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	159.6[6]	159.7	145.4	9.8	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	114 6[6]	135.6	143.2	−5.3	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Dec 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	417	4,372 (11.8)	3,909	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	481	5,629 (19.9)	4,694	6,764 (12.3)	6,025 (18.7)	5,074 (3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−64	−1,257	−785	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,83 (2.6
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,17 (−15.8
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	39 (−23.3

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January and so on. (2) Figures in brackets denote percentage variation over previous period.

Marketing Effort Pays

Hansavivek

ETAL BOX INDIA's performance for e 18 months ended September last substantially better than that of the evious 12 months. Sales, profits and argins are all much higher. Dividend s been stepped up from a mere 8 per nt to 21 per cent and is covered 2.4 nes as against 2.11 times previously. creased demand for the company's oducts and better penetration of arkets developed in recent years were e major contributing factors for the st improvement in the working re-lts. The chairman, P K Nanda, has special word of praise for the em-oyees. He says that trade unions in alcutta have also responded positively the needs of the company, which ill enable it to pursue the essential sk of restoring the viability of the nits located in that city. Nanda hopes at the few areas that are still under egotiation will be soon covered. The maining productivity arrangements, hen finalised and fully implemented, and the long-term arrangements for wages, bonus and performance payments concluded in the last 18 months, should usher in a period of industrial peace. The company's major diversification project, the factory at Kharagpur for the manufacture of bearings, went on stream in August last, ahead of schedule. Production of bearings is expected to reach around two million in the first year of production. Plans to extend the range of machinery have met with success and is expected to become a viable activity before long. The new printing machinery project has reached its final stages. This, it is hoped, will enable the company to become an important and large manufacturer in the field of quality printing machinery. The non-resident shareholders have completed an offer of sale of shares to the company's members as on November 15, 1979. The response to the offer, made on the basis of one share for every three shares held at a premium of Rs 2 per share, has been very good. As at the end of December last, the non-resident shareholding stands reduced to 50.2 per cent. This will get further reduced to 38.6 per cent at the end of March next when the convertible bonds issued in 1978 are converted into equity in accordance with the terms of that issue. Commenting on the prospetcs, Nanda says that if the rate of growth for consumer goods in the first three months of the year is maintained the company can look forward to another satisfactory year for the packaging business, an improved one for machinery and a substantial contribution to sales from bearings. He points out, however, that the results will have to bear the burden of gestation costs of the new projects.

BHARAT EARTH MOVERS has experienced decline in profit margins during 1978-79 due to increase in costs, which could not be fully passed on to customers in view of competition in earthmoving equipment. Although net sales amounted to Rs 98.56 crores against Rs 85.43 crores in the previous

he Week's Companies (Rs Lakhs)

	Metal Box		Bharat Earth Movers		Kirloskar Bros		Paper Products	
	Latest Year 30-9-79*	Last Year 31-3-78	Latest Year 31-3-79	Last Year 31-3-78	Latest Year 31-7-79	Last Year 31-7-78	Latest Year 31-7-79	Last Year 31-7-78
aid-up Capital	694	694	1200	1200	287	245	85	85
eserves	1118	653	2822	2646	405	347	69	45
orrowings	3309	1271	3209	3108	1104	1070	229	250
of which Term borrowings	1184	531	2307	2519	47	37	59	79
ross fixed assets	3723	2342	3742	3593	1070	1015	429	420
et fixed assets	2859	1382	2142	2222	562	555	183	192
nvestments	16	8	—	—	115	115	23	23
urrent liabilities	1510	1228	3148	2978	1093	989	114	109
urrent assets	3731	2740	8237	7710	2212	1980	290	273
Stocks	1984	1470	3971	4521	1069	1015	114	94
Book debts	1599	1127	3412	2520	1104	949	138	155
et sales	11673	5953	9856	8543	3196	2994	794	651
ther income	45	34	198	143	47	71	15	16
ew material costs	6995	3595	5574	4826	2086	2180	509	441
ages	2073	1165	1634	1394	498	489	114	81
nterest	479	279	418	496	183	183	32	35
ross profit(+)/loss(—)	880	384	918	976	150	134	53	37
epreciation provision	176	97	247	231	58	56	18	19
ax provision	132	—	435	440	—	—	—	—
et profit(+)/loss(—)	572	287	236	305	92	78	35	18
evelopment rebate provision	236	—	15	40	12	13	1	2
ransfer to reserves	195	59	161	205	49	36	24	8
ividend								
Amount	P 2 E 139	1 53	P — E 60	— 60	P 4 E 27	4 25	P 1 E 9	1 7
Rate (per cent)	P 6 E 21	6 8	P — E 5	— 5	P9 to 9.50 E 12	9 to 9.50 12	P 9.50 E 12	9.50 10
Cover (times)	2.40	2.11	3.68	4.41	2.81	2.44	3.66	2.14
atios (per cent)								
ross profit/sales	7.54	6.45	9.30	11.42	4.70	4.47	6.67	5.68
et profit/capital employed	31.56	21.23	5.86	7.93	13.29	13.17	22.72	13.84
nventories/sales	17.00	24.69	41.70	52.92	33.45	36.50	14.35	14.41
ages/sales	17.75	19.57	16.58	16.31	15.60	16.33	14.35	12.44

18 months.

year, gross profit slipped from Rs 9.76 crores to Rs 9.18 crores and net profit from Rs 3.05 crores to Rs 2.36 crores. The unchanged dividend of 5 per cent was covered 3.68 times by earnings as against 4.41 times. The ratio of profit before interest to capital employed came down from 14 per cent in 1977-78 to 12 per cent in 1978-79, that of profit before tax to sales from 9 per cent to 7 per cent and of profit after tax to net worth from 8 per cent to 6 per cent. With improved demand, production of earthmoving equipment increased from 612 to 632 numbers. Owing to reduction in supply of wheel sets by the Railway Board, however, the company could deliver only 253 coaches against the target of 270. In addition, 52 trailers were also sold. It is planned to deliver 300 coaches during 1979-80 including deliveries against export order from Sri Lanka for 34 coaches and 120 50-ton trailers. The Central government has approved the upward revision of the project sanction for earth mover division by Rs 7.99 crores. Steps are being taken to progressively implement the sanction, which will enable the company to reach its approved capacity of 850 numbers of equipment per annum. The company has concluded a technical collaboration agreement with Komatsu of Japan for manufacture of 410 HP bulldozers. It exported earthmoving equipment and spares worth Rs 4.43 crores to Burma, Iraq, Nepal, Bhutan, etc. The prototype of 1.6 cu m front end loader developed by R and D division has completed its user trials and production of pilot batch has been undertaken. The scraper fitted with the indigenously developed planetary axle is working satisfactorily at user trials conducted in a coal field. Planetary axle for application on 3.5 cu m front loader is also under development. The prototype of 100 HP range power shift transmission developed for application on D50A-15 tractor is undergoing laboratory tests.

KIRLOSKAR BROTHERS has turned out improved results with slightly higher sales and gross margins. Net profit is also higher and unchanged equity dividend of 12 per cent on the enlarged capital is covered 2.81 times against 2.44 times previously. These results have been obtained because of better price realisation, although there was a substantial fall in the trading activity. The company issued 4,08,935 equity shares of Rs 25 each by way of 'rights' which have been fully subscribed. In order to augment the long-term resources for its working capital requirement, the company proposes to issue, secured 'rights' debentures of Rs 100 each for an aggregate amount upto Rs one crore. The modernisation of foundry equipment at Kirloskarvadi is expected to be completed during the current year. Order books are considerably better and the company's performance for the first three months has been satisfactory. The directors hope that there will be an appreciable increase in sales this year. They, however, point out that the critical supply position of some of the essential inputs like pig iron, the continued power shortage, the unabated rising costs and credit curbs are causing anxiety. The Mauritius-based Hydro Dyne, a subsidiary company, has commenced sale of pumps. Arrangements are being made to provide it with long-term funds and also increase its capital to enable it to meet its immediate requirements. Kirloskar Kenya is expected to commence its activity soon. In pursuit of penetrating the American market for sale of pumps and other products, the management has decided to join hands with Sigmund Pulsometer Pumps of UK for promoting a new trading company in Baltimore under the name SPP Inc.

PAPER PRODUCTS' performance has been good. Sales, profits as well as margins have been higher compared to the previous year. Net profit has almost doubled and dividend, stepped up by two points to 12 per cent, is covered 3.66 times by earnings as against 2.14 times previously. The directors expect that whole or part of the dividend will be exempt from tax in the hands of shareholders. The working results look all the more pleasing when viewed against the background of closure of the paper mill during September/October 1978 for overhauling and for about a month due to complete non-availability of power. The company had also to contend with frequent interruptions of power and erratic supply of fuel, oil and coal. Among the subsidiaries, Premier Paper's operations were adversely affected by a power cut of 75 per cent in the last quarter of its financial year and thus showed another loss. Printpak Machinery showed better results and the directors recommended a 6 per cent dividend. PPL Plastics made a small profit.

GAMMON INDIA is doing well. Its operations so far this year have been no less favourable than last year and the level of profitability is expected to be maintained, according to the chairman, James Bates. He told the annual general meeting that work load stood at Rs 91.95 crores as against Rs 86.8 crores a year ago and that several large contracts were being negotiated home and abroad. Gammon Midest, the joint venture in which Gammon India is an equal partner, has secured new contracts valued at Rs 55 crores for housing in Iraq and for defence work in UAE. Also, a protocol had been signed for a five star hotel in Jeddah valued at Rs 70 crores. In regard to Gammon India's Fer-chems division, he envisaged little or no improvement over the 85 per cent capacity utilisation achieved last year due to the continued erratic supplies of sulphur and rock phosphate. The alum plant was expected to be commissioned by mid-1980. Feasibility studies were being carried out for further diversification of production at this division. The proposal to enter plantation business, however, had been deferred indefinitely, he said.

CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY, promoted by the house of Murugappa Chettiars is coming to the market with a public issue of 1,50,000 equity shares of Rs 10 each at par. The company has been promoted with the object of providing hire purchasing and leasing facilities for acquiring industrial equipment, computers and consumer durables. It also proposes to invest in shares and debentures of limited companies and securities and bonds issued by governments and financial institutions. It has already entered into an agreement with Ambadi Enterprises for the purchase of bicycles to be sold on hire purchase basis to industrial workers and employees of commercial establishments and government organisations. It is in the process of concluding arrangements with leading computer manufacturers for buying computers to be leased to users. The company will also acquire plant and equipment for leasing the same to small-scale industrial units.

INTERNATIONAL COMPUTERS INDIAN MANUFACTURE (ICIM), which took over from October 1, 1978, the business of International Computers (India), has become an integrated company with multifarious activities such as manufacturing, marketing and related support services. It has installed imported machinery and equipment and also purchased two generating sets to meet the power shortage. Several orders for the 2904 computer systems have been received. The first 2904 computer system is expected to be delivered around May next.

The Opposition Front

Romesh Thapar

AN opportunity has been offered to the parties of the Opposition to salvage themselves in the nine state assembly elections ordered by an Indira Gandhi determined to establish a single centre of power. This positive aspect to an otherwise gloomy scenario is, alas, also dissolving in the continuing squabbles of the aged faction leaders of the Opposition. They need to be drummed into retirement, but the contrary is happening.

Jagjivan Ram, around whom many political myths and legends have been built, is now pushing for some sort of "line" which will ensure the comfort of his last years. He talks as if the entire political situation should be so orchestrated as to serve his very personal ends. The old prime ministerial ambience, which marked his pre-election postures, is absent, but the surprising fact remains that he still believes that he has some relevance in the mess that is Indian politics.

So many (including Indira Gandhi) believed that Jagjivan Ram would swing the decisive Harijan vote in favour of the Janata Party that the wags can be forgiven their sneer that had the millionnaire *chamar* defected to the Congress(I) before the election we would still be saying that Babuji did it. Shades of 1977...but now we know that, given Bharat's social and religious thinking, Jagjivan Ram only sparked a Hindu backlash from the traditional Jana Sangh/RSS bases.

It is sad that politicians do not learn these simple truths. Judging from the persistent defections and floor-crossings, actively blessed by the Prime Minister, you would think that these thrice-shamed creatures are the only possible candidates for political power. When will a bunch of saner younger elements in the Opposition, who are committed to some perspectives for this country, take the matter firmly in hand and rub out this flotsam and jetsam? The time has come, and without the canards that people like Madhu Limaye and Raj Narain let loose.

Now that the Lok Sabha election result is available to us segment by segment in each constituency, it should be possible for a Committee of the Opposition to allocate constituencies to those parties which are strongest in them. The area of controversy should be marginal, and in the process single candidates would face the Congress(I). The voting in early January shows the parties of the Opposition commanding a majority of votes. Here is the key to halting the rot, and returning the federal system to sanity.

Admittedly, it demands a purge of the so-called 'elders' who keep chattering about 'principles' and 'morals' and 'values', but are only concerned with perpetuating their differing, enfeebled, chaotic presence in politics. The purge would touch every party of the Opposition—yes, even the CPI and the CPI(M) — and therefore, it has more chance of being accepted. Let the elders adorn the organisational committees where their 'matchless' experience can be weighed.

The determination to establish a single list of Opposition candidates is building, particularly against the background of an Emergency type revival very clearly visible in the Capital, but 'elders' and their cronies are spreading despair and demoralisation. Chandrasekhar, for once, is beginning to call the shots. The perspective is a democratic front, working under the consensus guidance of several independent party headquarters, and a shelving of the old antagonisms and suspicions. It's a much-needed reconciliation for which there is wide support so long as no new parties are projected.

No time can be lost if the Opposition hopes to negative the onslaught of the Congress(I). Many trends have to be studied. How deep is the RSS desire to find a compact with the Congress(I) — or, better still, with the active anti-communism of Sanjay Gandhi's machine-men? Is the Lok Dal in a mood to emerge from its Jatistan trap by shedding its mischief-makers? What has to be done to crystallise the isolation of Jagjivan Ram even from his Congresswallahs? Will the healthy sections of the Congress party rally against the dynastic trends in the ruling party? Are the communists, now searching for unity among themselves, ready to work out a democratic programme for federal India as something more than an opportunistic gimmick?

Beyond these calculations, a great deal of thought has to be given to the passions of the newly-awakened middle castes, and how these have to be handled in the northern states which are going to the polls. This raises the whole question of caste alignments, until now dominated by the old formula of Congresswallahs uniting the upper castes with the Muslims and the scheduled castes. We are living within rather battered political frameworks. How relevant are they in the middle caste stir sweeping the north — and reminiscent in so many ways of what happened earlier in the south?

Indira Gandhi's obsession with political manipulation, and now heavily reinforced by Sanjay Gandhi's detailed interest in appointments which help his grip over the central apparatus, creates a non-governance ethos. Observers are startled by the lack of coherent policy objectives and the trivia of 'badla' which absorbs what are now being referred to as the 'White Shirts'. At this rate, power will again tend to be concentrated in Delhi — and that's bad for Centre-state relations whatever the fresh elections might throw up. Political consciousness about the rights of states is too advanced to be smothered by energetic manipulators in the Capital. Such policies could endanger federal functioning.

In this context, the meek manner in which the President allows himself to be woken up at midnight, and plays the rubber stamp, is much commented upon in political circles. Why doesn't he insist on scrutinising the Governor's reports before signing proclamations of dissolution? Indeed, were there any mandatory Governors' reports? And then again the chaos now developing over election dates — and the possibility that a delay of over two months might compel government to seek the support of the Lok Sabha and the Rajya Sabha — might spark another political clash.

It is about time that the President's office was strengthened to provide the kind of expertise he needs before being reduced to a willing signatory of anything that reaches Rashtrapati Bhavan from the nearby South Block where the PM's offices are situated. The attempt to keep the President totally powerless is beginning to be criticised. It's about time — especially when others are dreaming about unencumbered presidential systems!

February 22

KEEPING UP
the march of Industry in West Bengal

The Left Front Government in West Bengal have kept up the tempo of Industrial Development in the State.

The paid-up Capital of the Joint-Stock Companies has shown a steady increase of 29.6% per annum since 1976-77 and 29000 new employments have been created. These are sufficient to belie the apprehensions of many who think Industry has come to a halt in West Bengal.

- **Projects already set-up :**
A TV project at Calcutta, a Scooter project at Kharagpur by WBIDC, an Electronics Industrial Estate (Taratala), two Electronic projects (Taratala), Rock Phosphate Project at Purulia, State Weaving Project at Birbhum.

- **Projects shortly to be Commissioned :**
1) Electrically Controlled Hand Tools Project (Taratala) 2) TV Picture Tube Project (Taratala) 3) Walkie-Talkie Sets Projects (Calcutta) 4) Hard & Soft Ferrite Projects (Kalyani) 5) Burnt Dolomite Project (Kalyani) 6) Watch Assembly Unit (Kurseong) 7) Transfusion Solution Project (Behala).

- **Growth Centres, the Focal Points of Industrial Development :**
WBIIDC have provided 21 Industries with 166.6 acres of developed land at three of the most important Growth Centres i.e. Kalyani, Kharagpur & Haldia.The State Incentive Scheme 1978 has provided 128 industries with 211.12 crores of capital investment subsidy.

- **Haldia Petro-Chemical Complex :**
Works on this ambitious project are afoot and it is expected to be set up within 1982-83.

- **Other Projects :**
Include expansion programmes of West Bengal Pharmaceutical and Phytochemical Development Corporation, West Bengal Mineral Developmet Corporation, W. B. Sugar Industries Dev. Corporn. and many others.



GOVT. OF WEST BENGAL

IPB 64/79

EW DELHI

Appeasing Rich Farmer Lobby

B M

ITH its attention focused almost ntirely on the problems of political nsolidation and hegemony, the top olitical leadership is advisedly reluc- nt to spell out its intentions and olicy positions on economic issues. /ith nine state assemblies dissolved nd another hectic round of electioneer- g due shortly, this state of affairs ill persist for quite some more time o come. The time-table for presenting e budget for the coming year has een clearly inspired by these consi- erations. Even so, there is one area here Indira Gandhi's government has osen to be forthright and forthcoming out its plans and priorities. This gnificantly is the farm sector. Here, e new minister for agriculture, Rao irendra Singh, has been most articu- te. But more important, he has been ble even to get specific decisions from e cabinet. The most outstanding of ese decisions was new and wider rms of reference for the Agricultural rices Commission (APC).

The question of revising and recast- g the terms of reference of the APC ad been pending for a long time. It ad been raised quite early after the rmation of the Janata government as n earnest of the Janata party's com- itment to give the highest priority to he agricultural sector. The objective as specifically stated as that of estab- shing a favourable price balance for griculture. It was argued that the APC's terms of reference gave prece- ence to overall price stability and that he claims of the farmer for price arity for his produce were going by lefault. But the issue could not be linched during the tenure of the anata government.

What had stood in the way, in spite f the strong and persistent political ressure behind the move, was the then hairman of the APC, Dharam Narain, ho was able to also mobilise the sup- ort of the Planning Commission be- ind his stand against the proposed ange. He took the initiative to or- anise a detailed and in-depth exami- ation of the whole issue which con- uded with a clear-cut recommendation gainst revising the terms of reference APC. The objection to the proposed evision was on the sound ground that e terms of reference of APC were adequate to take a sane view of pricing agricultural commodities which pro- tected the interests of consumers as well as producers and enabled the APC to make its recommendations with due regard for overall price stability. The proposed change with the accent on a mechanical principle of parity, it was pointed out, would be the thin edge of the wedge for the rich farmers' lobby to secure disproportionate increases in the prices of their marketable surpluses without meaningfully relating them to costs of production and levels of pro- duction and productivity. As matters stood already, the APC was put under constant pressure every time the ques- tion of fixing procurement prices came up. Under the leadership of Dharam Narain, an agricultural economist him- self, the APC was able to contain these pressures to some extent and the gov- ernment, though very keen to prove its pro-farmer credentials, was not able to grant exceptionally large increases in procurement prices even when it devia- ted from the APC recommendations.

It is significant against this back- ground that the first major economic policy decision of Indira Gandhi's government has been to clear the long- blocked move to revise the terms of re- ference of the APC. The changes were proposed before the Cabinet directly, without any prior consideration by competent quarters, and a decision was taken straightaway.

The important part of the changes made is not the inclusion of a couple of more crops within the APC's pur- view. It is the stipulation that the APC in recommending procurement prices will take into account changes in terms of trade between the agricultural and non-agricultural sectors. This is fairly close to the concept of parity of prices long canvassed by the farm lobby. The Commission will, therefore, take into account not only changes in cost of production and levels of production and productivity but also price levels of consumer goods, besides agricultural inputs, which the farmers buy in the market. In addition, the APC will take into account the cost of marketing and the price margins in the marketing system. With its new terms of re- ference and the present composition of the APC, it can be taken for granted that APC will now become an out- spoken and effective limb of the rich farmers' lobby. It may well turn out that in future, it will be APC which will recommend a price closer to what is usually demanded by the chief mini- sters of the surplus states. The Centre will then have the option, depending on its political convenience, to take the final decision. It may be mentioned in this connection that the government's decision on procurement prices for the coming rabi crop is still pending. But it is understood that the new terms of reference of APC will not apply in this case and the old recommendations will still be the basis for the Central gov- ernment's decision. The previous gov- ernment had been divided on this issue between those who favoured a price higher than that recommended by APC and those who did not favour such an increase. It will be interesting to watch the decision which is now taken.

What prompted Indira Gandhi's gov- ernment to take this particular decision with so much alacrity? It could not have been the influence of a junior politician like Rao Birendra Singh who has been installed as the Minister of Agriculture and who is frankly and enthusiastically a member of what may be termed as the 'kulak brotherhood', which seems to be gaining so much ground in all the political parties be- cause of their stake in rural vote banks. The anxiety of the ruling party, which has been reinforced by the coming elections to the state assemblies, espe- cially in the northern belt, is to com- pete as ardent ruralists against politi- cal rivals with their exclusive claims to that status. Rao Birendra Singh has been evidently called upon to under- take the job and the revision of the APC's terms of reference would surely be a plus point for him in that effort.

As soon as he joined office, Rao Birendra Singh has been talking about "big changes" in management and policy in the agricultural sector, which would outbid even Charan Singh and his men. He has projected a "second phase" for agricultural development which the new government will usher in and which will go far beyond any- thing achieved so far. Addressing the convocation of the Indian Agricultural Research Institute, he said that the "first phase" had only ended food im- ports but the aim of the second phase would be for India to emerge as a "grain power" in the world. Rao Biren- dra Singh, of course, forgot in his enthusiasm that the 'self-sufficiency' in

LET US PLEDGE OURSELVES FOR TOMORROW

- Let us all defend Democracy and help extend its horizon.
- Let us maintain communal harmony and consolidate national integrity.
- Let us strengthen the fight of the toiling masses towards establishing their rights and betterment of their standard of living.
- Let us through our Panchayats extend Democracy to the remotest villages.
- Let us eradicate despondency in our educational system and help establish the need of the toiling masses in this regard.
- Let us protect the interests of the peasantry as a whole, particularly of agricultural labourers, share-croppers and small peasants and help accelerate the pace of agricultural development and land reforms.
- Let us revitalize the state's industry.
- Let us strengthen the cooperation between the Government and the people.
- Let us be vigilant against reactionary forces and vested interests.

GOVERNMENT OF WEST BENGAL

od achieved so far is relevant only to ective demand in the market and not meeting the needs of the people, the ajority of whom still suffer the pangs hunger and malnutrition.

But what are the "big changes" in olicy that Rao Birendra Singh is talkg about? He has proposed to upgrade e existing agricultural development locks into agricultural management entres with efficient agricultural anagers trained in management instiites. This will be combined with the lready established system of subsidised upplies of modern inputs, financial assistance and price incentives to those ho will respond and produce marketble surpluses. But more noteworthy in his context was his direction delivered t a meeting with the officials of his ome state of Haryana that power supdy to non-essential industrial units hould be stopped in order to provide dequate power to farmers' pump-sets nd power tillers. Rao Birendra Singh as been talking also about revamping he Food Corporation of India to adance farmers' interests. In this connecion he has been explicit, in particular, about taking away the discretion of the public purchasing agencies in accepting or rejecting grain offered by the farmers on the basis of certain specifications. He is also emphatic that the government must not come in the way of farmers exporting their produce and these exports must not be banned "merely" for bringing down prices for domestic consumers.

This is evidently not a novel policy package. It is wholly in tune with the so-called agricultural strategy which calls for a shift away from land reforms and broadening the base of agricultural production and productivity to reliance on technological improvements in the relatively small, euphemistically called "viable", stratum of farms capable of producing for the market — to begin with for the domestic market and eventually, for the world market. Such a policy perspective for agriculture has its own implications — economic, social and political. Past experience of the application of this policy is there to draw upon. What is now proposed to be attempted is a bigger and more determined effort in tha same direction.

OOD INDUSTRY

Foreign Base of Special Foods

Narendra Singh

A WORKSHOP was held in Bombay on November 10, 1979, on 'Innovation in Food Science and Technology'. Its special focus was the nutritional needs of 'metabolically handicapped people'. The workshop was organised by the Protein Foods and Nutritional Development Association of India (PFNDAI), whose intentions are to change the general feeling among Indian entrepreneurs that special foods are not in demand and that their production is thus unprofitable. It was argued, therefore, that even a small percentage of the Indian population means several millions of people. Attention was drawn in this context to the production of therapeutic diets in foreign countries for patients to pick from the shelf and for doctors to prescribe. The workshop brought together eminent medical specialists, technologists, and industrialists.

In his inaugural speech, C G Srikantaiah, Director, NIN, Hyderabad, found it a 'great paradox' that buffer stocks of foodgrains could mount in the country which also has accentuating problems of nutrition. In his opinion, this could be overcome only by parallel increase in purchasing power. He considered the 'problems of lower and middle classes' of great social relevance. For instance, despite the women workforce increasing, no facilities are available such as creches, there are erratic schedules of baby feeding, and the high costs of baby foods cause their dilution in practice. On the specific theme of the workshop, Srikantaiah referred to the problems of phenyl ketonic urea and lactose intolerance, the needs for low residue diets and total parenteral nutrition, and the needs of cancer patients, obese people, and diabetics.

After the inauguration, the workshop was conducted in two sessions and was concluded with a panel discussion.

The first session was addressed by experts of the medical profession, with the exception of S Varadarajan of Indian Petro-Chemicals who dwelt on his experience as a technocrat-manager of R &D and production establishment: he bemoaned the large quantities of food consumed in factories on working days and complained about the workers' further demand for a litre of milk, even supported by the doctors, especially in chemicals factories.

M M Wagle, a specialist in pedia trics, was the first speaker of the technical session. He talked on the 'Nutrition of Premature Babies and Infants', and reviewed differences between prematures and infants with reference to various parameters.

M K Mani a nephrologist, explained the excretary and regulatory functions of kidneys, and then discussed the problems of 'Patients with Chronic Renal Failure'. He found Indian diets advantageous in halmodialysis.

Facts and fancies about 'Diet and Heart Diseases' were described by K G Nair, cardiologist, in a review of data on mortality related to fat consumption, smoking, and cups of coffee. All data on coronary heart disease mortality were from the industrially developed affluent countries, however. On a specific query, Nair decried the fanciful advertisement of 'Lasuna' (garlic pills) as an all-cure for high cholesterol and heart diseases.

'Special Nutritional Needs of Diabetics and the Obese' were discussed by Shaukat Sadique. He argued that an increase in life-span had taken place side by side with an increase in diabetes and obesity. According to him, people demanded sweets, so safe sweeteners had to be provided; people could not go back to coarse foods, hence the industry was required to provide 'fibre incorporated' foods. All background data of this theme too were from the US — indeed, the evidence on metal toxicity, particularly of chromium, referred really to vegetarians in the US, who take no food of animal origin.

Surgeon A D Garud dealt with the issue of 'Parenteral Nutrition in Surgical Cases', with focus on the nutritional and metabolic needs particularly of the post-operative period of 4-5 days. While dealing with formulations, he relied mostly on those produced and used in advanced industrial countries. This became even more conspicuous when he referred to the efficacy of soyabean oil emulsion. Later, on a query, clarified that probably other oils could be as efficiently used.

The moderator of the second session, T S Nagarajan (Brooke Bond India) expressed disappointment that government policy is not supportive of fortification of foods.

P B Rama Rao (CFTRI, Mysore) added more information on parenteral nutrition with special reference to 'Lipid and Amino Acid Formulations'.

'Food Technology and Therapeautic Diets' was the theme covered by Thangam Philip, who described various diets and formulations developed in her Bombay Institute of Hotel Management and Catering Technology. Among the exotic preparations were crispies based on brans of wheat, ragi and buckwheat, and jams and toffees from chikoo etc. incorporating sugar or sorbitol. This

went hand in hand, however, with a sharp increase in cost. For example, chikoo preparations with sorbitol were priced about Rs 20 and contrasted with sugar-based ones at about Rs 3.

G B Rama Sarma (Raptakos Brett) surveyed the 'Special Foods for Infants' and the research on it in the US and some Raptakos formulations. Some experiences in the 'Development of Special Food Products in the US' and elsewhere were narrated by R Jayaram (Britania), with particular reference to lactose intolerance, coelic diseases and diabetes. Lactose intolerance was reported to be high in the Third World countries and among the negroids in the US. Coelic disorders were reported to be overcome with foods based on wheat products from which gluten had been removed. The speaker made a plea for systematic surveys on the incidence of these diseases in India, to determine market potential for indigenous production, with suitable amendments of food legislations to permit use of certain ingredients in these speciality foods.

S G Bhat (Tata Oil Mills) reviewed the status of vegetable proteins, particularly protein concentrates and isolates from oilseeds, such as soyabean, groundnut, and cottonseed, presently incorporated in foods for mass feeding programmes.

While crisply pointing out on 'Marketing of Special Foods' the peculiarity of the Indian scene — *viz.* that in the potentially large market of India products could not be marketed because of the low purchasing capacity of the people which makes the existing market too small to make it worth marketing a product — Walter Vieira (marketing consultant) nevertheless went on to articulately and elaborately present the '4-Ps' vital for successful marketing, such as the product itself, the product design, the physical distribution, and the promotion and advertising.

Most speakers were from industry. There was no limit on time for the speakers. The consequence was that there was no time left for discussions of the papers in this session. The squeezed-in Panel Discussion was a mere formality, with C P Natarajan (Director, CFTRI, Mysore) summing up the general workshop and the two moderators commenting, respectively, on the scientific and technical and the production and promotional aspects.

The criticism of the workshop papers has to be for their total dependence on investigation, findings and experiences of the industrially developed countries. One specific theme deserves special mention — that is milk intolerance and lactose allergy. Until a few years ago, we heard of Chinese communities suffering from this handicap; but no longer. We were told at this workshop that the negroid population in the US suffer genetically from this handicap, as also that this is a widely prevalent handicap in the Third World countries. The Caucasians, the basic stock of all Europeans, were presented as genetically free from such a handicap. Two comments which could not be made due to the rush at the workshop may be made here with reference to the communal character of the above observations: (1) apparently increasing and endemic poverty gives rise to the handicap, and (2) there may be a relationship with whether or not communities are traditionally associated with and reared on bovine milk. Evidently, a general solution of this handicap is overall improvement in the living standards of the communities. For research on the genetic antecedents, if any, there should be wide scope within India itself, since we have communities traditionally accustomed to different levels of milk intake and even to no milk intake.

Not only did the reference rema the industrial world. Many of the i dustries associated with the worksh and the PFNDAI were foreign subs diaries or collaborations. As a matt of fact, PFNDAI has a history, foreign-promoted ventures, in its origi and subsequent activities of associa tion. It originated as PFDA in 196 after an international symposium o 'Protein Foods and Concentrates' t promote protein foods. In the 1970s faced with the protein-calorie hiatus, i added 'nutrition' to its title. As w know, most of the protein promotio in this country has only led to the out flow of protein concentrates for use i animal feeds in the industrial world Hence, we may rightly surmise that th workshop was to promote productio of the special foods — in the name o the market of the handicapped among the affluent Indians — in fact, however largely, for export. The cheapness o Indian labour and material resources are great attractions for the multinationals and other corporate giants. Elite professionals, probably unconsciously, lend the rationale of 'expertise' to such ventures.

PORT LABOUR

Pawns in Bargaining Game

Timir Basu

INDIA exported more tea in 1979 than in the previous year, but often during this time Calcutta port's 'irregular' tea chest handling workers resorted to work stoppage. These workers went on indefinite strike on January 14. Their numbers are not over 350, by the latest available figures with the Calcutta Tea Workers Board; but their importance stems from their strategic position in tea export activity. However, of late, their bargaining strength seems to be waning.

It is significant that the tea chest handling workers changed their union banner seven times within eight years. True, unfair labour practice is the dominant feature of the irregular labour market, but these practices are helped by the existence of a section of immigrant workers who still have connection with the land in their own villages and are prey to short-term expectations which drive them into different unions for short-term gain. Nevertheless, the plight of the tea chest handling workers basically lies in the very pattern of the tea export trade.

The Indian Tea Merchants' Association (ITMA) — the mouthpiece of the big exporters who were mainly European before World War II — has always handled ever-increasing volume of tea trade at Calcutta port without employing a single worker of its own. Contractors and sub-contractors have supplied labour according to the need of the loading pattern scheduled by ITMA. The tea chest handling workers, too, are contractual labour. Nearly 2,500 in all, most of them are from Orissa. Of the total 2,500, 2,000 are directly employed by the contractors under different tea trading associations, including ITMA, whereas the remaining 500 had no regularity of service.

Before the formation of the Calcutta Tea Workers Board, their recruitment system was somewhat medieval; they would assemble in the early morning at particular places in the vicinity of the warehouses mostly in the dock area, and the contractors' agents or musclemen (who were themselves workers in some cases) then booked them for the day. The musclemen were moneylenders too, and the poor workers never dared voice their protest against their oppressive methods. In this unorganised

abour market, the only form of collective endeavour they developed through the years found its expression in the formation of a common fund to meet the funeral expenses whenever their fellow workmen died.

In 1971, there was a breakthrough as the age-old practice of casual employment in the operations of blending and tea chest handling. For the first time then, the workers under the banner of the Port Shramik Union (PSU) — one of the oldest unions of port workers in Calcutta — demanded abolition of the contractual system following the promulgation of the Contract Labour (Regulation and Abolition) Act, 1970.

ITMA was caught on the wrong foot. The agitation got sufficient momentum, for the government to intervene on grounds of anxiety about tea export. After several discussions, a machinery in the shape of the Calcutta Tea Workers' Employment Board was created to ride over the crisis. It was agreed by all parties concerned that the board would regulate employment of the irregularly employed tea chest handling workers, under direct supervision of ITMA itself so as to by-pass the middlemen contractors. However, the arrangement did not improve the service conditions of the workers, since ITMA in fact got the contractors to run the board.

Nevertheless, the daily wage was raised to Rs 7.50 a day. The contractors failed to manage the board because of internal strife. At the time of the formation of the board, there were 490 workers in its reserve pool, but some of the contractors allegedly abolished their permanent *khatas* and transferred their permanent men to the pool of the board. Small contractors were denied service of the board while some major contractors monopolised the board's affairs. Finally, ITMA intervened. Between 1971 and 1974, ITMA kept the board going, and the workers ceaselessly agitated for better wages, other necessary benefits, security of service, etc, which were enjoyed in the different warehouses by their permanent counterparts.

During this period of agitation, the workers tried different trade unions including NLO which has reportedly very little following in West Bengal. Despite repeated assurances of wage rise, granting of uniforms, tiffin allowance, etc, the contractors did nothing except increase the daily rate. In June 1973, the workmen again resorted to strike. This was again under the leadership of the old union, the PSU.

The strike highlighted, among other things, the malfunctioning of the board and asked for its reconstitution somewhat along the lines of other Labour Boards. On the intervention of the then labour minister, the strike was called off, and the board was reconstituted according to the terms of settlement. It was decided that ITMA would send two representatives, Calcutta Port Trust one, and the PSU three; the Calcutta Tea Traders Association preferred to sit on the board as an observer. In fact, representatives of the management did not turn up. The state government nominated B N Banerjee, Assistant Labour Commissioner, as chairman of the board and subsequently J N Guha secretary of the board after consultation with Makhan Chatterjee, representative of PSU, and P D Khandelwal, C P Wallis and J G Patel of ITMA. In effect, the new management took over charge of the board, including its financial administration, from November 1974. The organisation had 366 workers on its rolls at the time. Of these, 144 were gunnyman, 82 markman, 91 *mistries* by occupation, and the rest handling labourers.

The board was not a registered body. Its purpose had been loosely aimed at promoting welfare of the workers and serving tea exporters with specialised services through its skilled working hands on the no-profit-no-loss basis. The board collects 'levy charges' according to the quantum of business in addition to daily wages of the workers booked by the contractors and working agents of the exporters, under the new scheme, to meet management expenses, retirement benefits, etc. Meanwhile, the workers themselves earned the right to bonus. Since 1972, bonus at the rate of 20 per cent was paid. This increased the financial burden of the board. For quite some time, exporters were allegedly refusing to pay extra levy, and the board faced tremendous difficulties.

In 1977, there was again a strike. The union, of course, was PSU. It demanded higher wages of Rs 116, in line with those of permanent workers doing identical jobs in the tea warehouses. Accordingly, wages of the workers and the staff were increased with effect from April 1, 1976, without any formal agreement. As the board authority pleaded its inability to pay the extra amount, Mcneil and Magor, one of the leading members of ITMA, came forward with an offer of Rs 5 lakhs as a deductible surplus and Rs 36,000 as outright grant. Since September 1977, for one year, ITMA directly managed the affairs of the board. Thereafter, it handed over charge to the old management again. The name of the board, was changed in 1975 from 'Calcutta Tea Workers Employment Board' to 'Calcutta Tea Workers Board'. Moreover, some sort of social security scheme, equivalent to the provident fund, was introduced in 1976.

When, for the first time, the Calcutta Tea Workers' Board published the audited report on its accounts in 1978, it was revealed to all that the board had in its custody a reserve fund of Rs 5 Jakhs in the form of fixed deposits. That the workers had been deprived of their legitimate share was the rumour everywhere, and the news tempted some unions to utilise the workers who had by then already set a new record in changing union loyalties.

As the situation became difficult, the workers came back to the fold of their old union PSU and began to agitate from October 1978, demanding among other things implementation of the 1969 Wage Board award for port workers and introduction of variable dearness allowance at Rs 1.50 per point rise or fall. Reconstitution of the board was also an issue. The PSU went on strike on November 14, 1979, to press its demands. But the strike was withdrawn after a few days at the request of the government. The contractors offered a formula for settlement through the board, which the workers rejected, though the PSU leaders had no objection to the said formula. So again the workers dissociated from the PSU and this time joined the West Bengal Dock and Port Mazdoor Union which resorted to an indefinite strike on January 14. The tripartite conciliation on January 18, failed since the union stuck to the demand of dearness allowance (DA) which the board refused. The issue of DA was a new one, the demand for reconstitution of the board not having gained much ground. On close examination of the dispute, however, the major bone of contention did not seem to be DA.

The board authority meanwhile asked some old hands between the ages of 65 and 70 to retire voluntarily in lieu of a kind of retirement benefit. Some accepted it, but the musclemen who thrive on the ignorance of the workers feared a change in the composition of the work force and obstructed the scheme. The management took disciplinary action against one 'troublemaker' who allegedly used to draw his wage by proxy. The man is also said to be a notorious moneylender. It is said that, whatever be the signboard of the union, this man controls all affairs according to his own calculations, including frequent changing of union loyalties.

Surprisingly, through all this, though the demand for implementation of the Wage Board award implies that the tea chest handling workers are dock workers, yet nobody has demanded their registration with the Dock Labour Board.

FARM LABOUR

Health Hazards of Plant Protection

G A Patel
K R Pichholiya
C Gopinath

IMPROVEMENT in the living conditions of farm labourers is constantly stressed in rural development projects. But exposition of the problems arising from the kind of work they do is rare. Amarjit Chandan ('Victims of Green Revolution', *EPW*, June 23, 1979) described the plight of agricultural workers engaged in operating power threshers in Punjab. Use and marketing of plant protection appliances is another area in which farm labourers are exposed to high risk.

A study of labourers employed for plant protection was undertaken in five districts of Gujarat. While the focus was the use and marketing of plant protection appliances, the study revealed the dangers to the health of farm workers who are exposed to the harmful chemicals in the course of plant protection.

Plant protection chemicals are in any case known to disturb the ecological balance and to be harmful to life. The pesticide residues settle on fruits and vegetables which are consumed later. The hazard is, however, greater to pesticide factory workers and to labourers engaged in plant protection in the fields.

Early in this study it became clear that farmers who can afford pesticides do not generally do the plant protection work themselves. Out of 135 farmers surveyed, only 19.3 per cent themselves carried out plant protection work or with their family labour; 43 per cent used both family labour and hired labour; and 34.8 per cent relied wholly on casual labour. Only 2.9 per cent of the farmers hired permanent labourers for this work. It is obvious then that farmers rely heavily on hired labour for plant protection work. Yet, unlike workers in pesticide factories, farm labourers are not protected by law in any manner.

The Factory Act in Gujarat, for instance, does provide for enforcement of certain safety measures for the protection of factory workers. It requires their periodical medical check-up. A higher wage for workers in pesticide factories is sometimes insisted upon. However, when records of the past three years of the civil hospitals of Vadodara and Surat were examined in order to ascertain the number of cases of pesticide poisoning from rural areas, it was found that only 13 patients were admitted on such grounds in 1976, 17 in 1977, and that the number increased to 40 in 1978. Two of these were women. All the patients were labourers employed in plant protection work. Even so, these data do not reveal the full picture. For one thing, not all cases would reach a hospital; and secondly, the chronic effect of small quantities of pesticides entering the body does not appear immediately so that only a deailed and periodical health check-up reveals the cumulative effect of intermittent exposures to the chemicals.

In our survey, 39 labourers were interviewed. Out of them only seven were permanent. Two labourers were Muslims, another a Patidar, and the remaining 92.3 per cent belonged to scheduled castes and scheduled tribes. Thus, like conservancy, plant protection — which is even more hazardous — is entrusted mainly to the weaker sections of society.

There are, besides, the operational problems of handling plant protection appliances. Of the labourers surveyed, 64 per cent were illiterate. Mostly they were young: 49 per cent were in the age group of 19-25 years, and 38 per cent 26-35 years. As many as 23 per cent of workers surveyed received wages below the statutory minimum of Rs 5.50 per day fixed for Gujarat. About 72 per cent received no extra wage for doing this hazardous task. A few were paid Re 1 to Rs 5 more for doing this work.

Plant protection chemicals can cause either acute or chronic toxicity. The non-toxic level of pesticides gaining entry into the human body get metabolised and are excreted. However, the entry of a higher toxic level of pesticides into the body causes symptoms of acute toxicity to appear immediately. This second type of chemicals are not excreted, and small quantities intermittently entering the body tend to accumulate in the tissues resulting in chronic toxicity. Exposure of workers to pesticides, either intermittently or for a continuous period, is thus dangerous to their health. Nearly 77 per cent of the workers carried out this work for 11 days in a season. About 72 per cent of the workers had continuous exposures upto 3 days; 17 per cent from 4 to 5 days; 10 per cent of the workers had a continuous exposures of over 5 days. These exposures call for special precautions not only while carrying out plant protection but thereafter as well.

But none of the labourers was provided with masks to prevent inhalation of the toxic chemicals. Goggles to protect the eyes were also not provided. Only 50 per cent of the workers took the precaution of covering their nose and mouth with a cloth. Besides, 2 per cent of the workers did not wash their hands after completing the operation; and, of those who did, the percentage not using soap was 64, though washing with water alone is utterly inadequate. The practice of having a bath after completing the work was followed by 72 per cent of the workers. Interestingly, out of 58 companies manufacturing plant protection appliances, only two firms manufacture safety appliances and have facilities for protection from pesticides.

Fifty-six per cent of the workers found spraying easier than dusting. The lower physical strain involved and the availability of a helper for spraying were given as the main reasons for this preference. But even such preference was limited to areas where applications are not numerous.

In the hybrid cotton area where applications are numerous, a substantial proportion (77 per cent) of farm labourers preferred dusting to spraying. Most of the sprayers and dusters used in the field are carried by the operator himself. The lighter weight of a duster was given as the reason for preferring dusting. Almost all (90 per cent) of the workers interviewed did not have any training in the proper use of appliances. Similarly, their knowledge about health hazards is limited.

Our survey has shown that custom hiring for plant protection appliances is not practised. Data collected showed that 72 per cent were unwilling to take up this as a full-time vocation. But, of them, 85 per cent felt there would be no demand for such services and only 4 per cent openly stated that they did not like this work. None of them mentioned the inherent health hazard as a reason for not undertaking the job as a vocation. Those who wished to take up plant protection as a voca-

n badly needed financial assistance: ost of them (72 per cent) needed less an Rs 500 as a medium-term loan buying appliances; most thought ey could repay the loan in five an al instalments.

In agricultural development, then, e owner-farmer assumes the status the manager leaving the physical ork to hired labour. This is especially for plant protection. In plant protection work, the worker is exposed to emicals which are dangerous to alth. Precautions are not scientifically practised; appliances, like masks for prevention of inhalation or goggles to prevent damage to eyes, are not provided to workers. There is, besides, gross ignorance among workers about the dangers they are open to. Whereas the pesticide factory worker is at least legally protected by safety measures under the Factory Act, no safeguards exist for the farm worker carrying out plant protection. The employer needs to be made responsible for providing safety measures and medical check-up of the labourers he employs. There is need, too, for statutory provision of higher wages for such work.

ASSAM

Ganging-Up against the Left

DURING their fact-finding visits to ssam last month neither Atal Bihari ajpayee and Ravindra Verma of the anata party, nor Yashpal Kapoor and D Sharma of the Congress(I) found ny evidence of violence in current gitation on the 'foreign nationals' ssue, being jointly led by the All ssam Ganga Sangram Parishad and ll Assam Students Union. If indeed here were some violent incidents, Congress(I) leaders alleged, they were ll the doings of the CPI(M) and the RSS. As for the CPI(M) and its student organisation, the SFI, the plain fact is hat these parties and groups have efused to join the chauvinist bandwagon and consequently have been the victims of violence perpetuated against them by the chauvinists; and yet the Congress leaders from Delhi have accused them of being involved in the violent incidents! Here are some facts, widely known in Assam, though not equally widely reported in the local press.

On December 3, 1979, the CPI(M) office at Sorbhog was ransacked by members of the Chatra Sanstha and three party members were seriously injured in the attack. They were hospitalised for almost seven weeks, being released on January 25. The party office at Barpeta Road too was attacked. At Bamiakuchi near Sarthebari, CPI(M) members and sympathisers were attacked by a bus-load of 'patriots' with the assistance of the polite, taken to the Thana, and severely beaten. Other places where CPI(M) members and sympathisers have been attacked include Nalbari, Bambhay, Sootea, Tihu, Pathsala, Bhabanipur and of course Barpeta. A new feature of these attacks — new in Assam, that is — has been that many CPI(M) members and sympathisers have had to leave their homes and seek shelter elsewhere. The Assamese 'patriots' have in this respect overcome their traditional antipathy to the Bengalis and have adopted, wholesale, the tactics of Congressmen in West Bengal following the overthrow of the United Front government.

The most serious consequence of these incidents — apart from the fact that legitimate political activities by parties not supporting the present agitation are now virtually impossible — has been the free hand given to the armed forces to restore law and order in large areas on the north bank of the Brahmaputra where between January 4 and 8, the chauvinists reigned supreme, and where since January 7 when the Government of Assam declared the entire northern part of the Kamrup district comprising Barpeta and Nalbari sub-divisions and north Gauhati and Kamalpur police station areas as 'disturbed areas' and transferred the responsibility to maintain law and order to the army, the armed forces have reigned supreme. Several places in these areas are still under curfew. Before the armed forces took over, more than 12,000 persons (Bengali Hindus and Muslims as well as Assamese, the latter in Barpera sub-division) had taken shelter in relief camps. After the army moved in, under the guise of protecting the minorities, the forces of law and order have been on a rampage and many reports have appeared in the local press of atrocities against the civilian population, particularly of molestation and rape. None knows exactly how many have died. Several hundreds, probably. While the killing of one Assamese student has been widely reported the number of Bengalis killed is anybody's guess. Some idea of the number dead may be had when complete normalcy is restored and those who have fled their homes come back.

The violence, killing and arson that preceded the entry of the army in north kamrup was certainly pre-planned. Leaders from Gauhati held meetings in the area 'alerting' the local people of possible 'attack' from the minority communities, booth linguistic and religious. Suddenly, it was announced over the loudspeaker that the attack had actually begun and trained hands began to kill and set fire to the house of 'foreign nationals' whose forefathers had migrated from East Bengal. The violence continued for four days, unchecked. Indeed, it is alleged that it was connived at by the state's bureaucracy; the deputy commissioner of Kamrup was at Nalbari during all these days to 'cover' his non-Assamese SDO. In Barpeta subdivision, one additional deputy commissioner, known to be sympathetic to the agitators, was posted to 'cover' the local SDO who also happened to be non-Assamese.

The culprits did their job and moved away before the police arrived. Now collective fine has been imposed on the neighbourhood.

Sehgal Papers

SEHGAL PAPERS' project cost has shot up by Rs 6.90 crores to Rs 24.30 crores. The increase in cost, according to the directors, is for requirements of additional land, buildings, boiler, double extraction steam turbo-alternator set for power generation — all of which were not originally provided for in the project. To meet the additional requirement of funds, the company has been provided additional term loans of Rs 4.10 crores by financial institutions, unsecured loans of Rs 1.01 crores by promoters and deferment of interest of Rs 1.19 crores. In addition, Rs 60 lakhs will come from cash accruals during the current financial year. The company started production of soft and absorbent tissue papers for the first time in India and also commenced manufacture of several tissue products in September 1978. Production of writing and printing papers started in March 1979. The plant of carbonless copy papers has been erected. However, production has been delayed because of certain government formalities. These formalities have since been completed and commercial production is expected to start shortly.

WEST BENGAL

Industrial Morass

ONE of the commonest things that one hears from industrialists about West Bengal these days is: "Nothing seems to happen here." While many other states are forging ahead, West Bengal seems to have been left behind. "Go to Maharashtra, Gujarat, Andhra Pradesh and you see new projects coming up all around, but not in this state. And it almost looks like that no one seems to care."

At a press conference the other day, a senior vice-president of a leading chamber of commerce pointed out without mincing words that the atmosphere prevailing in the state is, to say the least, "most unhelpful". He was particularly aggrieved at what was happening in Haldia which had been billed as the most promising growth centre in the state. "I can tell you that those of us who had shown interest in this area are now just backing out", he said.

This feeling of sadness, of lack of enthusiasm appears to be only spreading. A typical instance is that of an entrepreneur now planning to set up a big petrochemical plant in Gujarat. Says he: "Since I mentioned my plans to the authorities there, they have been nagging me. 'Just tell us what we can do for you'. And that's the spirit that you so very badly miss here."

When someone mentions these things to the authorities in West Bengal, they feel piqued. They roll out a long list of reasons why this state cannot have an organisation like SICOM of Maharashtra. How far they are able to sell this explanation is not known, but somehow the promotional agencies have not so far proved to be a conspicuous success. And the more outspoken elements within them put the blame on Writers Buildings (the secretariat) which is supposed to give the lead.

In fact, businessmen have come to question the rationale of putting in money in the state. Not only has it so many contraints like power and an unsettled port situation; even in terms of productivity, it should seem to be lately slipping behind some of its rivals. According to a recent chamber of commerce study, Maharashtra's value-added income in 1975-76 came to Rs 1,784 crores against West Bengal's Rs 882 crores. West Bengal employed about 75 per cent of the workforce in Maharashtra, in but the wide difference in value-added income points to much higher labour productivity in that state.

The pity of it is that in terms of profitability, West Bengal can still claim to have a fairly good record. Two of its traditional industries, jute and tea, are doing well, and some of the engineering units are also known to be not faring badly. But there has been so little diversification of its industrial base and so few new-generation industries have come up in the state that it is not possible to make any meaningful comparison in their profitability or productivity with the corresponding figures for other regions.

The situation is all the more unfortunate as, wherever possible, the Left Front government has tried, and is still trying, to keep the labour force on a fairly tight leash. It certainly does not encourage labour militancy and, except where questions of "territorial gains" are concerned, it takes pains to ensure that the unions do not cross the limit.

The business community has not missed this fact. Whatever the figures of mandays lost might suggest, most businessmen seem to agree that by and large industrial relations in the state has been good. There have been some isolated cases where inter-union rivalary, with no holds barred, has queered the pitch, but not even the most incisive critic of the Left Front would say that the Front members, especially the CPI(M), have behaved irresponsibly in promoting the interest of their trade union wings.

If the same determination were reflected in the implementation of the government's industrial policy, the businessmen feel, there should have been by now vast changes on the economic horizon. It is not as if the members of the government are not aware of this fact. In the last budget, a provision was made for setting up industrial units in the big, medium and small-scale sectors in each of the 16 districts. But the plan has remained just on paper.

The state of the giant Haldia petrochemical complex is not more reassuring. The entire financing scheme, on which the government had worked so far, is believed to be now in the melting pot and a whole new exerci has been ordered. How far the ne financing plan would also prove wor able remains to be seen. But the co of the project is going up all the tim just as the price and availability naphtha, which is to be its main feed stock, become a matter of increasin concern. The fact of the matter that the project has not made muc progress from where it was on that da in 1977 when the then Petroleu Minister, H N Bahuguna, formally gav it the green signal.

One of the latest and most disturb ing developments concerns the proble that industrialists are facing over recruit ment of skilled, semi-skilled and un skilled workers. The problem surface about three/four years ago when man agers of banks opening new branche would often be pressurised to induc only local boys, instead of those sen out from the head office and selecte through regular examinations.

A big company setting up a new chemical unit at Haldia has run into serious difficulty over its staff recruitment. Some of the local trade union leaders would insist on the manage ment taking persons nominated by them and they would not listen to pleas that their nominees might be just not fit for the job in question. The company's work schedule is already behind time. It has told the government of its predicament and it had laid down certain norms for recruitment. But the union leaders do not seem to care much for these norms.

With the coming of the Congress(I) government at the Centre, it is now likely that the trade union leaders belonging to the party would try to stage a comeback in the state. They can fall back upon the moral and more-than-moral support expected from New Delhi. During the past couple of years they had been lying low, but the indications are that they will try to get back some of their territory. Other things remaining the same, this can only presage more trouble among the unions.

All this can only queer the pitch further for fresh investment in the state. Once of this state's biggest plus points has been the good market it has always provided for all sorts of products. It is steadily losing that reputation also. On the whole, there are few signs from which one can take heart. Still, businessmen feel that there is time yet for a fight and hope that the state government would take it up.

Making a Fetish of Concepts

D N Dhanagare

Leadership and Local Politics: A Study of Meerut District in Uttar Pradesh, 1923-1973, by S N Jha; Popular Prakashan, Bombay 1979; pp x + 175; Rs 48.

DURING the past quarter of a century or so, the profession of Indian political science has undergone profound change. It has abandoned its earlier infatuation with arm-chair methods of political analysis and has rediscovered the inherent value of empirical tradition preserved and practised by sister social sciences in India. Thanks to the work of many Western and Indian political scientists, political science in India has come closer to the realities in contemporary political structure, institutions, changing political attitudes and electoral behaviour and political processes in general. This shift in intellectual concerns as well as in methodological equipment has drawn Indian political scientists nearer, what may broadly be called as, 'sociologically oriented political analysis'. The study under review forms part of the new trend in Indian political studies.

The book has two noteworthy features. First, Jha has used history quite purposefully to demonstrate how the 'past' is relevant to the understanding of the 'present'. Such attempts towards integration of the two are rather uncommon in the world of Indian social sciences. Secondly, despite the fact that Jha operates at the 'micro' level, he does not allow his inquiry to degenerate into a simple exercise in discription of the present day 'structure' of local power. On the contrary, he keeps the focus constantly on 'dynamics' of power at district level over a period of time without either making a fetish of history or losing sight of the contemporary leadership.

Jha's account is divided into two parts. The first contains an interesting historical narrative in which he has traced the changing patterns of dominance and social composition of the Meerut Municipal Board from 1876 to 1970. The exercise is then repeated for the District Board and Zilla Parishad (ZP) in Meerut covering half a century period — from 1923 to 1973. The second half of the book presents data collected through personal interviews of some 135 leaders (office-bearers) at the ZP, kshetra samiti and village panchayat level (pp 15-6). (Incidentally, the interview-schedule used in the study has not been included in the book.) The data pertain mostly to the leaders' political career-motivations and aspirations and to their perceptions of 'representative's role'. Although in parts Jha's book brings forward some interesting data, in more than one way it falls short of the expectations raised by the title and the preface.

The very formulation of research problem calls for some comments. In the first place, the questions that Jha has addressed himself to (pp 10-21) — all of which begin with 'what' and 'how', none with 'why' — make his inquiry at best a purely exploratory one. There is no attempt whatsoever towards linking two or more sets of facts meaningfully let alone towards building a systematic explanation of local leadership and political change. It cannot be that Jha is unaware of some of the major theoretical formulations in political studies. Yet, he seems to be disinclined to link his inquiry even remotely to broader levels of theorisation. His complacency in treating his work as a mere 'case-study' with "admittedly limited scope of generalisation" (p vi) is rather shocking.

Jha's ambivalence to social theory is reflected in his frequent reference to at least two major formulations which he does not put to rigorous empirical test. Implicitly though, he refers to the theory of "vote-banks" or "political fixers" (p 6) which several political analysts at one stage had found to be the most satisfying explanation of political behaviour in India. In his actual empirical exercise, however, Jha has not bothered to test that formulation. At another place, he has observed: "An institution like the District Board or ZP can best be analysed in terms of the *network of leadership, spreading through different levels of political activity and cutting across institution boundaries* (pp 9-10, emphasis added). This is far from a casual mention of the network theory which seems to have been at the back of his mind; otherwise Jha's prefatory observation that "the funds and facilities for development programmes to be administered by local institutions became a resource-base for such *network*" (preface p v) would not make much sense. He is certainly inclined to use, though occasionally, the conceptual framework associated with the 'network theory', but there is neither a serious and thorough discussion of the theory, apart from a solitary quotation from J A Barnes' essay (footnote 23, p 10), nor is there any attempt to deduce from the theory any hypothesis for empirical testing.

Like theory, to which Jha's attitude is casual, if not cavalier, his conceptual apparatus too reveals some serious deficiencies. To him, 'leaders' mean "those who occupy formal positions of authority" (pp 7-8). This tendency of using operationally convenient definitions, which is rampant among Indian social scientists, could not be overcome by Jha also. However, having accepted a formal notion of 'leader', it is incomprehensible as to why he should quote, rather monotonously, Ross and Hendry's definition (p 8) which is totally incompatible with his operational definition. At several places Jha leaves us in the welter of confusion by his ambiguous usage of concepts such as 'political process', 'political forces' and 'politics' often in an interchangeable fashion.

Data on contemporary leadership in Meerut district have been drawn from interviews of leaders holding offices in nine gram-panchayats. These nine gram-panchayats were so selected (three each from three separate kshetra-samitis) as to represent the 'most developed', 'moderately developed' and 'least developed', villages (p 15). Here, Jha has taken 'age', 'population', 'distance from railway-station/metalled road', 'distance from the district/block head-quarters' and 'literacy rate' as his criteria for determining the developmental categories in which different villages have been placed. Whereas these criteria are not insignificant, one wonders why specific objectively measurable dimensions of agrarian economic development could not be used for this purpose.

It has been repeatedly stressed by Jha that he has chosen a district as his 'unit of study' "for reasons of historical continuity and its cumulative importance" (preface p vi, pp 4-5). His contention is that studies on Indian politics have concentrated either on national and state politics or village

and/or electoral constituencies (p 139), whereas below the state level, the district, which ought to be the most meaningful unit, has been largely ignored. It is rather difficult to agree with this sweeping observation which outrightly undermines earlier works by Weiner, I Narain, M Franda, R Kothari and others on the one hand and F G Bailey, Mckim Marriot, Andre Beteille, Ralph Retzlaff and so on on the other. To say that "the district politics still remains one of the less researched areas" is to be uncharitable to at least two outstanding studies of factional politics — one on UP by Paul Brass, and the other by Mary Carras, "The Dynamics of Indian Political Factions: A Study of District Councils in the State of Maharashtra". Of course, in both the studies the unit is a group of districts rather than a single district; but, in political analysis, a district need not be a sacrosanct unit of study unless we assume that political processes and power relations are necessarily and historically unique at district level. All those inclined to use historical material or perspective in social science research have to recognise that the 'district-set up' was contrived originally for the convenience of land revenue administration — revenue assessments and settlement operations. Later it became the unit of general administration as well as the laboratory for undertaking a series of experiments not only in local self-government but also in developmental activities. This transformation took place more by historical accident than by design. For students of agrarian history, however, the district is unquestionably a useful unit of study since most of the documentary sources and data they need on land control, tenurial leases, rent and revenue, land-alienation, etc are available district-wise. In political studies, however, 'district' may not be that important as Jha tends to make out because patterns of political influence and patronage may often extend beyond a district or may even be confined to a region smaller than the geographical boundaries of a district.

There could still be a justification for choosing a 'district' as a unit of political study if Jha had posited a close relationship between the control of local economic resources (mainly land control) and political power. Robert Frykenberg's study of Guntur District is an excellent example of how district-level data could be meaningfully utilised for understanding the interphasing between local structure of dominance and central authority. Although Jha has referred to Frykenberg's study as a model (p 4) he does not emulate it. Not that Jha is totally oblivious to the close affinity between economic power and political influence. In his chapter on the social composition of the District Boards and ZPs between 1923 and 1973, Jha has repeatedly noted that "landed castes had gained enormously in the indirect elections" (pp 71-5), but he does not demonstrate how gradually land came progressively under the control of Jats in Meerut. Interestingly enough, Table IV-8 (p 74) shows percentages of land held and cultivated by different castes in Meerut at the time of the final settlement in 1940. Had similar data been presented both on 1941-1971 period and on the pre-1940 period, then the bearing, if any, of shifts in control of economic resources on political power-structure could have been comparatively assessed. In fact, Jha's Table IV-8 itself has been reproduced from Paul Brass's book. Thus, the scanty data on the land control in Meerut produced by Jha does not really justify his choice of a 'district' as a unit of study, for he has hardly bothered to exploit fully the historical continuity in the true sense for analytical purposes.

Regarding the changing social composition of power-elite in Meerut, we are told that in the pre-1942 period the Muslim aristocracy played a dominant role and that Congress candidates were their main rivals. Later, power shifted from Nawabi families to landed gentry. Thereafter, the main contenders for power have been locally dominant landed castes. Steadily Jats have gained political power by knocking out Tyagis in the District Boards/ZPs (pp 26-7 and 51-5). At another place we are also told that after 1960 Bania caste has gained power almost equalling that of Jats (pp 72-3). In these discussions there are some obvious gaps. For example, we are not told what precisely constituted the power-base of Muslim aristocracy. If it was feudal or quasi-feudal estates or fiefs, then Jha does not reveal to us as to what happened to them. Secondly, he is silent on the impact of the partition of the sub-continent on the municipal and district board politics in Meerut. In fact, there is no mention of partition in the book. To characterise the social categories who replaced the Muslim aristocracy in power structure, Jha has used such terms as 'gentry', 'Hindu entrepreneurs' and 'political entrepreneurs' (p 46) without clarifying any of these terms.

The analysis of contemporary leadership revolves around three axes: (i) the relative openness or closedness of recruitment process; (ii) internal coherence and consensus in the group of leaders; and (iii) value-preference and role expectations. Jha claims that he has analysed these dimensions "in an overall developmental perspective" (pp 79-81). Surprisingly, Jha is not even consistent in his conceptual framework. In the leadership analysis (particularly Chapter V) Jha begins with concepts of the 'elite theory' (p 81) but later reverts to the standard Warnerian conceptual apparatus of 'social class' defined in socio-economic status (SES) terms (pp 82-3). One of his findings is that the institutional level and SES of leaders are positively correlated (pp 82-5, 99). But what does that mean? and why should the two be so related? Such analytical probings are conspicuous by their absence. The same holds true for Jha's data on 'value-orientations of leaders' pertaining to 'fatalistic disposition', 'property in land', 'religion', 'authoritarian decision-making', 'politics', 'democratic decision-making' etc (pp 98-101). Unfortunately, Jha does not consider it necessary to maintain the conceptual distinction between 'values' and 'attitudes'. What he has presented are data on leaders' attitudes from which one could extrapolate the value positions of local leaders but that has not been done.

Chapter VII on motivations and aspirations of Jha's respondents presents data on the reasons for their joining politics, for contesting elections and on their commitment to political career, etc. His findings in this chapter (pp 102-21) are rather commonplace because nothing that is unknown has been revealed by him. Similarly, Jha's findings on the leaders' perceptions of the role of representatives are also equally trite (pp 124-5). At best they confirm our commonsense understanding of local politics and politicians.

The book has in all 22 figures and some 56 tabular presentations. Apparently Jha is good at quantification and at graphic presentations of data — of which there is an excessive display in this tiny book. It is, however, necessary to remind him that quantification must not become an end in itself, because sometimes it is a positive hindrance to analytical depth. At places Jha has pursued his obsession

even at the cost of clarity. For example, he says: "Ratio of advantages has been obtained by dividing a vertical rise by the corresponding vertical zone..." or, "Equal-share co-efficients for different Boards indicate that the percentage of the population getting something less than an equal share of values... In egalitarian terms the equal share co-efficient measures percentage size of the underprivileged population" (pp 65-70). Here, the language is so jargonised that it is difficult to follow the point Jha is trying to make. In fact, it has obscured a vital point that "on account of the introduction of indirect elections the landed castes have gained greater political advantage" (p 71).

Jha's style of narration and method of presentation also leave much to be desired. For example, his discussion on the factional politics in Meerut, which threw up Choudhary Charan Singh as a leader in the 1950s and 1960s, has preceded (p 28) the account of the elections of Chairmen of District Boards till 1948 (pp 28-30). Similarly, definitions of concepts, often inconsequential, are interspersed throughout the narrative — for example, the definition of 'cleavage' (pp 55-6) or that of 'representation' (pp 57-8). Some graphs and Tables could have been easily dropped without any loss. Most of the Tables in Chapter VII are straightway based on the questions asked to respondents in course of the inquiry (Tables VII-2 to VII-10, for example). A better mode of summarisation and presentation of data could have been devised.

Nothing could have been more irksome than Jha's tendency to write his chapter, 'Summaries/Conclusions', without carefully looking at his data presented in the preceding pages. To cite only one example, in his 'conclusions' on Chapter VII Jha says: "Several levels of conflict in the functions of representatives" are evident (p 135). In fact, his data in this chapter simply reveal 'diverse', not conflicting, role perceptions.

In the end it needs to be stressed that methodological sophistication is not a virtue but a necessity in social research. At any rate, it must not be extended to the point where it presents itself as no more than a sterile obsession. Academic merit of any study lies neither in the 'level' of analysis (whether 'macro' or 'micro') nor in the 'unit' of analysis (whether 'village', 'district', 'region' or 'state'), nor even in research technology *per se*, but in the 'depth' of analytical insights with which one reveals interrelationships in different sets of data which normally lay observers would miss. Finally, what matters is the excellence and quality of contribution an empirical study makes to our unstanding of social realities and processes. If these were to be our criteria of evaluation, then, and without appearing to be unduly critical of a budding scholar from Jawaharlal Nehru University, it must be said that the score of the book under review is rather disappointing.

Confusion of Constraints and Stimulants

Asim Mukhopadhyay

Bangladesh : Development in Perspective by Gilbert Etienne; Macmillan, Merrut, 1979; pp 143; Rs 50.

SINCE the creation of Bangladesh, there have been dozens of studies on the socio-economic problems and prospects of development in that country. As a reputed economist and an observer of Chinese and South Asian affairs, Gilbert Etienne needs no introduction. But the present volume has failed to fulfil the expectations raised by the author's reputation. Etienne's conception of the subject, its treatment and the conclusions he draws have nothing unique about them. While the title suggests that the emphasis is on the historical perspective, there is very little of such perspective in the book itself.

In his discussion of development hazards, the author occasionally fails to differentiate between a constraint and a stimulant. For instance, he has described foreign aid as an "important asset of the country" and welcomes it wholeheartedly. Nobody discounts the necessity of foreign financial and technical assistance to a Third World country, but the flow of such aid should have its limit. All over the Indian subcontinent foreign aid has fostered the growth of a reactionary neo-colonial elite of capitalist junior partners, bureaucrats and military men who link the subordinate people of their respective countries with the governments and corporations of the imperialist nations. Since its creation Bangladesh has received more foreign aid than the whole of Pakistan had received before 1971. It is doubtful whether any other country in the world today is so heavily dependent on foreign aid as Bangladesh. Officially, foreign aid now accounts for between 75 and 80 per cent of all development expenditures in Bangladesh. Since the latter normally include several items that should rather be regarded as current expenditures, the actual proportion should be even higher. According to World Bank estimates, in which corrections have been made for this and several other factors that distort the real size of both revenues and expenditures in the Bangladesh budgets, public savings has actually been negative during the last few years — which implies that external assistance has not only financed total public investment but also some public consumption.

From a short term point of view, there can be no doubt that the foreign economic assistance has helped Bangladesh to overcome different post-'liberation' crises. But in the final analysis, the continuous aid flow has only discouraged domestic resource-mobilisation. In fact, the government of a really poor and politically disturbed country may voluntarily relax domestic savings efforts when more aid is available than the actual requirement — a view subscribed to also by Bangladeshi scholars.[1] The heavy indebtedness and the concomitant debt service burden has forced Bangladesh to desperately seek to attract more and more foreign capital, increase and diversify its exports of commodities and even of skilled manpower.

As has already been mentioned, like in other parts of the sub-continent, in Bangladesh too, foreign aid has given birth to a neo-colonial elite, lazy and corrupt. Today the craze for luxurious living among these elements has gone to such an extent that they often fly to Indian and South-East Asian cities for shopping. Since 1972 the international community had shipped almost six million tonnes of foodgrain to Bangladesh; but 90 per cent of this was distributed among the city dwellers. The author has unnecessarily eulogised President Zia for his "love" of the teaming millions. But the disbursement of foreign food aid shows whose interest he actually looks after — the better-off urban middle class. In the words of a Dacca journalist, "If we

cast a look at the present government striking similarities with the pre-1970 era will become evident. The military and bureaucracy in Bangladesh appear to have emerged as a formidable couple threatening the future political development".[2]

The author rightly considers rapid population growth as a major constraint on Bangladesh's economic recovery. But here again his analysis is highly sketchy, and the suggestions and conclusions carry nothing new.

The spurt in global population over the past two and a half decades has been caused by two opposite trends — a gradual lowering of population growth rates in developed countries and its rapid acceleration in the underdeveloped nations. The experience of the developed countries gave rise to the theory of demographic transition which holds that societies tend to move through three distinct demographic stages: (1) high birth rates and high death rates resulting in near stationary populations; (2) high birth rates but declining death rates producing growing populations; and (3) low birth rates and low death rates, re-establishing near stationary populations. In spite of its high infant mortality rate, Bangladesh now belongs to stage two.

The fundamental question is what, if anything, can be rationally and humanely done to accelerate this demographic transition in Bangladesh and other Third World countries. Improvement in mass communication systems and family planning services as suggested by the author are essential. But family planning in the end can succeed only to the extent that a desire for lower fertility exists. For instance, infant and child mortality rates can be brought down relatively simply and inexpensively if the national health policies are more carefully designed. Schooling tends to delay the age of marriage for girls, helps both men and women to acquire information about family planning and broadens their social outlook. Increase in the productivity of the urban poor and equitable distribution of the benefit of growth are equally important.

None of these conditions exists in Bangladesh. It is true, as the author says, that even if the number of children per couple is drastically reduced it will not have an instant effect on the population growth since the future couples are already born. But he does not suggest any action for this intermediate stage to create a demand and a desire among the future couples for lower fertility.

It is difficult to digest the lofty ideas of the author about the bureaucracy in Bangladesh which is, to be very frank and honest, rotten to the core. The author writes: "If institutions like cooperatives and local councils still fall short of socio-economic expectations, why not revert to the policies and practices of both the Mughals and the ICS administration to have a small core of high calibre officials in charge of each district." The author believes that such officials can perform a miracle and "the gap between the urban elite and villages is less deep in the country than other places".

It is a fact that many of the cooperatives had flopped soon after their birth due to the machinations and the dubious role played by its members. During 1978-79 more than a thousand circle officers, municipal and union parishad chairmen were charged with corruption, pilferage and misappropriation of money and foodgrain. The World Bank's funds for rural development were often utilised for these kulaks' benefit.[3] But the bureaucrats have no right to cavil. In every case, if Saul has slain his thousands, David has slain his ten thousands. Are not the present bureaucrats the same people who during the war in 1971 either fled the country or collaborated with the Pakistani military rulers or did 'revolution' from the cosy shelter provided by their relatives and friends in Calcutta?

This reviewer who was then covering the war on behalf of a leading English weekly in Calcutta and later for an all-India news agency was a witness to a few incidents involving some such young, debonair bureaucrats now holding high posts under the Zia-government — incidents which may provide very interesting anecdotes of those hectic days. The author speaks about the creation of a set of new dedicated officials. But the so-called educated, Westernised Bangladeshi youth cannot fulfil his expectation. They belong to the same class of people who are fed at the cost of the millions, pampered at the cost of national interest. How can one expect justice for the hungry masses from elements who thrive on the exploitation of the ignorant and helpless village folk? One is amazed at the social consciousness of the author. His suggestions about the reorganisation of the bureaucracy are utopian and naive to the point of being childish.

Finally, the author has made oblique attack on those who seek volutionary solutions to the proble in the country and has described su people as arm-chair revolutionaries w do not understand that the balance socio-politics powers prevents su solutions. He therefore warns th about the increasingly long list of volutions which failed miserably in t Third World during the last 30 yea He further adds that "unless one prepared to put ones words into pra tice as Regis Debray did in Bolivia" has no right to suggest such solution

Leaving aside the author's over-es mation of Regis Debray — Debray doubt has set an example before t Marxist intellectuals in western Euro and South America, but his individu heroism did not help much the oppre sed Bolivian peasantry or revol tionary movements in Latin America - it is a fact that revolutionary struggle in India, Pakistan, Sri Lanka and Bang lades suffered serious setbacks fro time to time and pseudo-Marxists, bot national and international, have scolde them from a safe distance and hav been unsparing in detecting the faults. What these people fail to realis is that no sacrifice made for the sak of revolution goes fruitless. Leni once said: "The chief mistake made b revolutionaries is that they look back ward at the old revolutions, whereas life gives us too many new things tha have to be fitted into the general pat tern of events". Marxism is a scienc which expands and enriches itself wit the passage of time, and as a science says nobody is infallible. Certainly therefore, every unsuccessful revolutio of the last 30 years in every corner o the Third World bears a lesson for th future generations. Anyone who toda frequents the countryside in India, Pak istan, Bangladesh and Nepal notice how conscious and confident peopl have grown over the past 30 years. This self-realisation and self-reliance is contribution of the many abortive re volutions.

Notes

1 "Foreign Capital and Domestic Saving: A Test of Haavelmo's Hypothesis with Cross Country Data" by Anisur Rahaman, *Review of Economics and Statistics*, February 1978.

2 *Holiday* (Dacca), November 18 1979.

3 'Whom Does World Bank Serve?' by Joseph Collins and Frances Moore Lappe, *EPW*, May 12, 1979.

Potential of Industrial Revolution in Pre-British India

Shaibal Gupta

The question whether India was on the threshold of an 'industrial revolution' at the time of the colonisation of the country has been endlessly debated, with various economic historians (even those of Marxist persuasion) coming to widely different conclusions.

This article starts from the premise that while economic categories — the extent of commodity production, wage labour, monetarisation of the economy, etc — should be the basis for any analysis of the production relations of pre-British India, it is the nature of class struggles arising out of particular class alignments that finally gives the decisive twist to social change.

Arguing on this premise, and analysing the available evidence, this article concludes that there was little potential for industrial revolution before the British arrived in India because, whatever might have been the character of economic categories of that period, the class relations had not sufficiently matured to develop productive forces and the required class struggle for a 'revolution' to take place.

THE controversy whether India was on the threshold of 'industrial revolution' before the British came remains unresolved. While Irfan Habib,[1] V I Pavlov[2] and A I Chicherov,[3] have rejected the idea of the potential for capitalist development in pre-British Indian society, Rajni Palm Dutt,[4] M N Roy,[5] Paul Baran[6] and A R Desai,[7] have on the other hand held an opposite veiw. According to the latter view, the Mughal Empire had begun to disintegrate rapidly by eighteenth century, and on the ruins of the Mughal Empire, British colonialists succeeded in laying the foundation of an empire of a new type.[8] This distorted the potential developments towards 'capitalism', because Indian society was by that time on the point of bursting through the fetters of fedual agrarian system.

Both these groups of historians, while examining the question of 'potentialities of capitalist development', relied heavily on economic categories — the extent of commodity production, wage labour, money economy. This has led to widely contradictory conclusions. While economic categories do provide the basis, it is the nature of class struggle arising out of particular class alignment that gives decisive twist to the destiny of a society. Therefore, the main issue is the level of maturity of class relations in India on the eve of British colonial enslavement which could have brought about changes in the feudal production relation for ushering 'industrial revolution'.

It may however be noted in this context that Marxism conceives of the social formation as distinct structural levels, economic, political and ideological. Periods of transition apart, the social formation is dominated by a determinate mode of production. Then the displacement of one mode of production by another necessarily involves effective destruction of one social whole and its replacement by another.[9]

In this context, some Marxist theorists of the transition from feudalism to capitalism effectively reduce capitalism to commodity production, so that the expansion in it is thought to be equivalent to the development of capitalism itself. This is reflected in Rostovtzeff's treatment of the Hellenistic and Roman Empires as showing a capitalism not too different from that of nineteenth and twentieth century Europe. A similar view of capitalism underlines Postan's description of large feudal estates of thriteenth-century England as 'capitalist concerns: federated grain factories producing largely for cash'.

Nascent capitalist relations exist even in feudal mode of production. History is replete with instances where commodity production and wage labour (another feature of capitalist production relations) had developed within the feudal, ancient and slave modes of production under conditions which are entirely foreign to capitalism. This point merits particular attention in view of the place of commodity relations as a social and invariant element in the capitalist mode of production. Certain authors (Dobb, and Sweezy for example) consider the spurt in trade as major feature heralding capitalism. Others feel that the spread of money economy and 'cash-nexus' is responsible for development of capitalist relations.[10]

We must insist on the other hand that the transition (and non-transition) from one mode of production to another (here from feudalism to capitalism) cannot be understood in isolation of determinate conditions of maturity of class relations and its consequent class struggle. Marxism has always regarded both industrialisation and the primitive accumulation of capital that precedes it as ultimately the result of class conflict. There is nothing in the concept of feudal and capitalist modes of production to preclude the possibility of class struggle, capable of effecting a transformation of dominant mode of production. It follows that there can be no general structure or process that must be followed in all particular cases of transition from one mode of production to another.

Marxism has always insisted on the primacy of the class struggle and, social formation in terms of determinate material causality with real relations producing certain definite effects. In this conception the period of transition appears as a number of specific transformations and displacements in the relations of production and in the political, ideological and economic conditions of existence of dominant mode of production, produced at the outcome of specific class struggle in certain definite conditions. This was, however, ignored in the discussion by economic historians of transition during the Mughal era.

If the period of transition is conceived in evolutionist terms as a steady progression through a pre-determined sequence of historical stages, then no further theortical analysis of the current situation is strictly necessary,

once the present stage has been correctly identified. It was precisely on this ground that in the dispute over the agrarian question, Lenin criticised his Menshevik and 'divisionist' opponents.[11] The fundamental error was the same in both cases: "a general, abstract, stereotyped conception of the bourgeois-revolution" derived from a teleological mode of analysis. In consequence the concrete analysis of the current situation is replaced by a theoretical pragmatism and opportunism.

The final outcome at no point in the transition period is a pre-given certainty. The period of transition comes to a culmination only when political, economic and ideological conditions are such that the dominant relations of production are no longer subject to transformation. Until that point is reached movement either towards restoration or towards completed transition is possible only out of the class struggle.

Marx came to the conclusion in course of his notes on merchant capital and interest bearing capital regarding the two paths of transition from feudalism to capitalism. "The transition from the feudal mode of production is two-fold. The producer becomes merchant and capitalist... This is really the revolutionary path or else, the merchant establishes direct sway over production."[12] This theory was confirmed by Lenin's study of the Russian agrarian question.[13]

The first path of development was followed in England and France where bourgeois revolution and capitalist development had as their basis a class of free and independent peasants and a class of small and middle-scale commodity producers. In Germany, Japan, Russia (Stolykin period) and Italy capitalist development took place along second path. In Prussia agrarian reforms had come from above and carried contrary elements like the legal sanctioning of the position of the Junkers' land property and thus strengthened the position and power of the Junkers. In Japan too, agrarian reforms in the Meiji Restoration period retained the parasitic land proprietorship of semi-feudal character of a large number of tenants with short and insecure tenancies, mainly share-cropping arrangements.[14]

The axis between the landed gentry and the rising bourgeoisie having mercantile genesis resulted in the growth of the notorious Junker class and led to what Lenin called 'the Prussian path' of capitalist development. Despite significant differences in detail, the development of capitalism in Japan, Russia and Italy took place basically along this second path. In Prussia, Japan and Russia the mercantile bourgeoisie, being unable to accomplish as itself the transition to industrial capitalism, required support on the part of the State, brought under control of rising bourgeoisie. In Japan such an impetus was provided by the Meiji Revolution, an impetus that moved the Japanese economy off dead centre and created a great spurt of industrial capitalist development.

This aspect of the structural pattern of pre-British India is still a matter for research; but it is clear that it contained alongside the dominant feudal structure considerable residue of clan and tribal relations which in a number of regions made up the structural patterns. In Christianity, the dualism of social consciousness in the period of transition to capitalism found more or less an adequate, though contradictory, reflection during the bougeois reformation of the church. But neither of the two great religions of India underwent even the initial stage of bourgeois reformation. Moreover even the maturity of Hinduism as the ideology of developed feudalism is not indisputable. Jainism, Sikhism and indigenous Christianity remained socially and geographically localised religions and it is by no means obvious that they were ready for bourgeois reformation. In brief, 18th century India did not have a class or a large social group 'equipped' with an ideology that combined the vital aspirations of the nascent bourgeois class.[15]

As a matter of fact, all existing ideologies of that period justified the system of redistribution of the production — that is, the appropriation of agricultural surplus by the Mughal ruling class and their relatives. For this reason regimentation of consumer aspirations, of the very way of life of Indians of different social degree, was an inalienable part of the traditional ideologies of India. In the regimentation system, moreover, paramount importance was given to the share of appropriation allotted for the maintenance of the bearers of Hinduism, Islam and other religions, thus intensifying their social conservatism and adherence to traditional institutions.[16]

These characteristic features of pre-British social order lay in village community system described in the words of Marx "the self-maintaining unity of agriculture and crafts manufacture". The unity of handicrafts and agriculture within each community made it possible to contain within it all the conditions of its reproduction. Each of the places in the community's division of labour was systematically produced: the individual could n emancipate himself from the comm nity or from his predestined place the division of labour. The absence reproduction and the rigid division labour within the communiti systematically excluded the pos bilities of change or development except for purely quantitative chang within existing social relations, t growth of communities or foundati of new communities. The unity handicrafts with agriculture and t social separation within the co munity from one another ga Asiatic Society a cellular stru ture — each of the cells unaffecte by the presence or absence others cells and remaining unaffecte by the dissolution of any state whic unites them at political levels.

Marx, for example, assumed that th village communities "were based o domestic industry, in that peculia combination of hand-weaving, hand spinning and hand-tilling agricultur which gave them self-supportin power".[17] Economic seclusion of th community was based on a combina tion of agriculture with crafts whic produced farming implements, i labour of smiths, carpenters, leathe workers and potters. Weaving, wit rare exceptions, was singled out no only from the household of the agri cultural family (as its subsidiary do mestic crafts), but also from the com munity (as a craft included in th combination of intra-community ex change).[18]

The social and economic status o workers and other artisans who di not belong to the village communit depended on the importance of thei production and output in the social divi sion of labour and the redistributio of national product. The practica absence of any social division of lab our on an all-India scale and it immaturity within the bounds o separate regions were determined b the fact that the crafts outside th village community (except perhaps th production of metals) were little con nected with the reproduction proces in agriculture. Moreover a part of th consumer-demand in village was satis fied by craftsmen who did not brea their ties with the community (potte and cobbler, tailor and jeweller) Weavers were the only large group o artisans, but outside village commu nity, on whom the population of th community seriously depended. Sinc weavers and other artisans them selves made part of their implements community craftsmen who could mak such implements participated in th

reproduction process not only of the rural but also of the urban crafts on a rather limited scale. Correspondingly the volume of inter-sectoral division of labour with industrial production itself was reduced.[19]

The widespread view of the low productivity of the Indian crafts cannot be accepted without reservations. Nevertheless, in examining the factors which prevented the deepening of social division of labour in India, attention must be paid to the obvious technical lagging of the crafts behind agriculture. In this respect India was no exception because pre-capitalist society in general was marked by high productivity in agriculture rather than in industry. Besides having superior tools, the Indian peasant was no less skilled than the craftsman who produced these implements.

Part of the value created in the peasant household in the form of traditional remuneration of the community craftsman and payment of the artisan by the feudal lords was redistributed so that the total value of the crafts article would merely enable the artisan and his family to maintain themselves and ensure at least simple reproduction. Such a situation stemmed from the relatively low productivity of craft labour; it rendered extended reproduction in industry exceedingly difficult and made impossible any widespread beginning of capitalism there for which, as Marx stated, a steep rise in the productivity of industrial labour as compared with that of agricultural labour was needed.[20]

The place of individual non-community crafts in the process of reproduction and distribution makes it possible to divide them into two subgroups; crafts which engaged in exchange with countryside (for example, some of the weavers and metal smelters) and crafts which had no or negligible exchange of the kind. In other words, the natural economy seclusion of farming and the crafts within the bound of the village community was contrasted at the other pole by the complete or partial economic isolation of some of the non-community craft from the economic and consuming needs of the village community and its population.

The question arises: what products ultimately compensated the labour of the artisans? Marx long ago gave us a model of exchange of the agricultural product for the articles produced by these crafts. Even in the mid-19th century, as he pointed out, archaic forms of relations between the feudals and the artisans survived in the backward provinces of British India. "The non-agricultural labourers are employed by the magnates, to whom a portion of agricultural surplus in product is rendered in the shape of tribute or rent. One portion of this product consumed by the magnates in kind, another is converted, for their use, by the labourers, into articles of luxury and such like things; while the rest forms the wages of the labourers, who own their implements of labour".[21]

While the feudal strata acted as the chief clients and consumers of the output of the crafts, merchant capital performed the function of their agent. To this should be added the important circumstance that in India, State fedual ownership of the land also extended to urban lands. The merchants, artisans and other town dwellers paid to feudal lords rent for the land occupied by their houses and shops. Neither the land nor even the air of Indian towns was free of the arbitrary actions of the feudal lords.

So the 'first path' of capitalist development in India was not ripe during pre-British period because artisans had not matured into a homogeneous class which could have entered into conflict with the entrenched feudal forces, thus ushering in industrial revolution. Secondly, Indian capitalism could have developed along the 'second path' by the fact that the nascent pre-British bourgeoisie was basically mercantile, separated from production. Foreign travellers like Della Valle, Manrique and Bernier have left accounts in which there is admiration for their foreign trade, the quality of their goods and the magnitude of their wealth. They were organised in guilds comparable to medieval European trade associations which exercised a great measure of autonomy in the regulation of commerce. India had no Joint Stock Companies, but Indian traders employed a sort of managing agency which operated throughout the country. It consisted of a class of middlemen who managed the business of mercantile and banking houses, made advances to producers and supplied finished goods to merchants. Money economy had developed quite considerably, 'cash-nexus' was well established. "Yet", as Max Weber rightly observes, "modern capitalism did not develop indigenously before English rule."[22]

This is because royal officials and the ruling class are coterminus, where priesthood often combined against bourgeois plutocrats. It is true such combination was not peculiar to India only; they were also there in the West. But in the West the mercantile control of municipal governments, especially of the police, rendered them ineffectual. The guild power in India remained purely money power, unsupported by any authority of political or military or social nature. It collapsed as soon as the king found it convenient to call in the aid of priestly and feudal elements.[23]

So this section of the merchant class of 17th and 18th centuries instead of emerging into potential opposition to feudalism, proceeded to "coalesce ... with feudal class, which led to greater participation of the merchants in the feudal exploitation of the people". The evidence of such coalesence lay, on the one hand, in the tax farming operation of the merchants, in their financing of wars of feudal rulers and purchase of land and irrigation installation, and on the other, in the participation by the upper section of the feudal lords in these ventures.[24]

On this score one can remark, first, that these phenomena had been in evidence in India even at an earlier period, and were also to be found in Medieval Europe, though there they merely resulted in personal 'swings' by individual merchants and bankers in the ruling camp and did not result in the feudalisation of merchant capital. Secondly the periodical incursions by the feudal powers (investment by Mughal noble like Mir Jumla) into the sphere of trade usually went hand in hand with proclamations of their monopoly rights to the purchase and marketing of the most profitable goods. The Indian rulers' inclination to engage in trade sprang from the concentration in their hands, through feudal rent, of vast amount of surplus product, and their ability to secure their trade operation by force of arms.[25] So there was no concerted effort to divert the surplus product for productive investment where the returns may not have been greatly profitable.

It has been pointed out earlier that trade, markets and mercantile capital may be found at widely separated periods of history and are quite compatible with slavery, serfdom, independent self employed labour and wage labour. As Marx pointed out, "interest bearing capital, or, as we may call it in its antiquated forms, usurers' capital, belongs together with its twin brother, merchant's capital, to the antediluvian forms of capital, which long precede the capitalist mode of production and are to be found in the most diverse economic formations of society".[26]

There is evidence to show that in some cases growth of trade, market and money-economy have been associated with the strengthening of pre-

capitalist relations of production. The outstanding case is the breakout afresh of feudalism in Eastern Europe at the end of fifteenth century, that 'second serfdom' which Engels described as "a revival of the old system which has associated with the growth of production for the market".[27] Marx reached the conclusion that, "the independent development of merchant's capital ... stands in inverse proportion to the general economic development of soriety". About usurer's capital Marx's conclusion was similar: "The usurer's capital impoverishes the mode of production ... in which social productivity of labour is not developed ... as in the capitalist mode of production".[28]

In Western Europe, and specially in England, the 'haute bourgeoisie' who formed the uppermost rank in the class of the bourgeoisie eventually became an obstacle to the further development of capitalism. In India too, the haute bourgeoisie of pre-British period, who had accumulated enough capital, proved an obstacle to the development of indegenous capitalist development. Earlier they had been collaborating with feudal interests and later they started collaborating with English, Dutch and French companies. They threw themselves on the side of Clive, the representative of monopolist East India Company, which had already come in the way of the development of capitalism in the mother country, England.[29] In India the haute bourgeoisie sided with British imperialism and with the colonial triumph at Plassey in 1757, the question of their defeat did not arise. British imperialism was aided in the colonial expansion by the absence of industrial bourgeoisie of the type one found in seventeenth century England.

That is why it was in England, not in India, that the bourgeoisie developed out of the Indian gold, the unlimited profits of the Indian trade and, later, Indian wars. This would not have been possible unless sufficient technical and political advancement had been achieved to turn the primitive accumulation barter capital into modern capital, that led to the machine and beyond.[30] Though considerable quantity of bullion flowed into India during Mughal period, it was "swallowed up", and was not available for productive enterprise and organisational expansion. Bernier attributes the lack of productive investment to the feudal and despotic political system of the country. The general practice among all merchants was to keep money concealed, lest it should excite the cupidity of the local governor or officer possessing "inclination to deprive any man of the fruits of his industry". Feudal despotism in fact discouraged the circulation of precious metals and withdrew wealth from productive undertaking.[31]

That is why Indian trading communities under the Mughals, unlike their Western counterparts, acted in subservience to the princely order and not in opposition to it. Drawn originally from the ranks of the well-to-do master craftsman the English traders and organisers of industry became a class of merchant manufactures who wrested charters of liberty from the king, dominated municipal government and used their political power to further their trade privileges.

On the other hand, the Indian traders had not come up to the level of required maturity and therefore had no charter of liberty, no municipal rights, no police or political backing. They no doubt had their merchant guilds. But, as Max Weber rightly points out, the king and his bureaucracy remained dominant and used the priestly apparatus and superior caste organisation to reduce obstinate elements to obedience. Indeed, the traditional segregation of occupational groups, the supremacy of the literary and bureaucratic classes, and the hegemony of the commercial monopolists were some of the factors which prejudiced the growth of the bourgeoisie.

And lastly, the weakness of Indian technology was not that it was primitive but it was unprogressive. This was because of the nature of utilisation of capital. In occidental countries investment of capital in mechanical devices provided the basis for technological change, because the capital was mobile and was available for industrial investment. The productive use of 'social surplus' was the special virtue that enabled capitalism in the West to outstrip all prior economic systems. Instead of building pyramids and cathedrals, those in command of the social surplus chose to invest in ships, warehouses, raw material, finished goods and other material forms of wealth. The social surplus was thus converted into enlarged productive capacity, which brought about the industrial revolution. Whereas in India the social surplus was squandered in building mosques, mausoleums, temples, palaces, etc — the typical investment pattern of Mughal India.

So industrial revolution during pre-British period in India remained a distant dream because class relations h not sufficiently matured to develop p ductive forces and the required cl struggle for such a transformation.

Notes

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3 A I Chicherov, "Economic Dev lopment in the 16-18th Century p 236.
4 Rajni Palme Dutt, "India Today pp 95-6.
5 M N Roy, "India in Transition pp 20-1, p 90.
6 Paul Baran, "Political Economy Growth", pp 179-80.
7 A R Desai, "Social Background Indian Nationalism", p 16.
8 Satish Chandra, "Parties and Poli tics At the Mughal Court, 1707 1740", p xvii.
9 Barry Hindess and Paul Q Hirst "Pre-Capitalist Modes of Produc tion", pp 260-3.
10 Irfan Habib, 'Banking in Mugha India' in "Contribution to Indian Economic History", (*ed*) T Raychau dhury.
11 V I Lenin, "Agrarian Programme of Social Democracy in the First Russian Revolution, 1905-1907", *Collected Works*, Volume 13.
12 Karl Marx, *Capital*, Vol III, p 329.
13 V I Lenin, *op cit*, pp 238-42. A detailed analysis of the 'two paths' was made by Maurice Dobb, "Studies in the Development of Capitalism". See also, "Transition from Feudalism to Capitalism", *Science and Society*.
14 Takahashi, "The Transition from Feudalism to Capitalism", Quoted from Ranajit Das Gupta, "Problems of Economic Transition", p 4, 60.
15 R Ulyanovsky and V Pavlov, "Asian Dilemma", pp 25-6.
16 *Ibid* pp 26-7.
17 K Marx and F Engels, "On Britain", pp 396-7.
18 R Ulyanovsky and V Pavlov, *op cit*, p 32.
19 *Ibid*. p 35.
20 K Marx, "Theories of Surplus Value, Part — II", pp 109-10.
21 K Marx, "Capital", Vol I, p 598.
22 Max Weber, "The Religions of India", p 4.
23 B R Mishra, "The Indian Middle Class", p 8.
24 A I Chicherov, *op cit*, p 148.
25 V I Pavlov, "Historical Premises For Indian Transition to Capitalism", p 108.
26 K Marx, "Capital", Vol III, p 580.
27 Quoted in M Dobb, "Studies in the Development of Capitalism", pp 38-42.
28 K Marx, "Capital", Vol III, p 322, 582.
29 Shiv Chandra Jha, "Studies in the Development of Capitalism in India", pp 93-5.
30 D D Kosambi, "An Introduction to the Study of Indian History", pp 395-6.
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Profile of Indian Vegetable Oil Industry

II : Movements of Oilseeds and Oils

S Chandrasekaran

K T Achaya

Production of specific types of oilseeds in India is strongly regional. Proportions of statewise production of seven oilseeds, and of their derived oils, are almost identical, showing that oilseeds are crushed mostly in the same states in which they are produced.

Correlation with oilmill crushing capacity in each state is not as good, perhaps because ghani crushing and solvent extraction are not accounted for. Inter-state trading involves only some 5 to 10 per cent of the total production of major oilseeds and oils, and even this movement is mainly to contiguous areas which themselves produce and prize these materials, but fall short of their needs. The percentage of marketable surplus of an oilseed depends on its other outlets and varies greatly from one oilseed to another.

The wholesale markets comprise three major levels, namely local markets, assembling or primary markets, and terminal markets. The operations in all of them are controlled by commission agents and brokers, and subject to considerable speculation. Peaks and troughs characterise the annual fluctuations in the prices of oils through the course of the year, obscured in certain years by unexpected events.

Prices have tripled in the decade after 1964. In recent years price variations have been smaller for edible than for inedible oils.

N the article published last week, the pattern of production of vegetable oils n India in the non-power and power ectors was considered, and the number nd capacity of various types of units vas delineated. This paper seeks to explore the nature and degree of movement of oilseeds and oils, starting with he regional production pattern for ach oilseed, and the production pattern or the oil present therein. Thereafter, lata on the movements of oilseeds and ils are examined to show the essenially parochial nature of the oilseeds ndustry. This is probably because, to quote from another paper[1] on dietary at consumption patterns in India : 'There are strong regional preferences — for groundnut oil in Andhra Pradesh nd Gujarat, for coconut oil in Kerala, and for mustard oil in Calcutta."

Yet, despite this regional, short-path movement, the three market levels — termed local, assembling, and terminal — are the same for all oilseeds, each n its own part of the country, as are the marketing operations (with minor variations) at each level. Even the price fluctuations for oilseeds and vegetable oils show a common pattern.

Production of Oilseeds and Oils

Figures are available,[2] for the statewise production in 1974-75, of the traditional major oilseeds — *viz,* groundnut rape/mustard, sesame, castor and linseed, and for an important new entrant, cottonseed. Together, these six contribute some 92 per cent of total oilseed production, and 87 per cent of total vegetable oil production. Indeed, the first two alone make up about two-thirds of the total output of oilseeds and oils. Hence the patterns of movement and trade for these oilseeds would dominate the overall picture.

Table 1 shows statewise production of oilseeds in India for 1974-75, and figures for this year have been used all through this section. Table 2 depicts statewise production of vegetable oils. Table 3 shows the statewise distribution of oil mills in India. A synthesis of the data in these three Tables is given in Table 4.

It is clear from Table 4 that oilseed production is strongly localised in just a few, usually contiguous, states. These are Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, and Gujarat for the groundnut; Uttar Pradesh alone for rape/mustard; Gujarat, Maharashtra, Karnataka and Punjab/Haryana for cottonseed; Andhra Pradesh and Gujarat for castor; Madhya Pradesh and Uttar Pradesh for linseed; and Kerala for the coconut. For each of these six oilseeds, between 78 and 59 per cent of total Indian production occurs only in the states mentioned.

What is striking (see Table 4) is that the production of any vegetable oil in these very same states tallies to an extraordinary extent with the production of the oilseed there. This is true for groundnut, rape/mustard, castor and linseed, where there is an almost perfect tally between oilseed and oil production in the producing states.

There is a slight divergence only with coconut and cottonseed. Production of green coconuts in Kerala is stated to be 62 per cent of the all-India production, Kerala is stated[3] to have 75 per cent of all the crushing mills and 84 per cent of all the rotaries used for crushing copra to coconut oil. The only other crushing centre of importance is Maharashtra, where 251 expellers are stated to be employed for processing copra. Based on our earlier estimate[4] of average expeller crushing capacity, these expellers can be expected to produce about 25,000 tonnes of oil, constituting 12 per cent of the total coconut oil production. Of the remaining 88 per cent, a figure of 70 per cent for Kerala would be in consonnance with the proportion of crushing mills and rotaries in that state. A 1950 reference, quoted in the footnote to Table 4, confirms this figure. Thus, for the coconut also, production of the raw material and the oil from it occurs largely in the same area.

Regarding cottonseed, production of oil in the four major producing states (treating Punjab/Haryana as a single area) is 92 per cent, whereas cottonseed production in these same areas is only 78 per cent. This would imply inflow of seed from outlying areas, which almost certainly occurs because cottonseed cannot be processed without special and expensive machinery and equipment not available everywhere. Nevertheless, the generalisation that seed production and oil recovery occur essentially in the same areas will hold good also for cottonseed.

The only oilseed that is not strongly regional in production is sesame. Uttar Pradesh produces 23 per cent, and six other states (Madhya Pradesh, Orissa, Maharashtra, Karnataka, Rajasthan and Tamil Nadu) each provides between 13 and 5 per cent of total production.

TABLE 1: STATEWISE PRODUCTION OF OILSEEDS IN INDIA, 1974-75*

(Thousand tonnes)

	Ground-nut	Rape/-Mustard	Sesame	Cotton-seed**	Castor	Linseed
Andhra Pradesh	1413	—	46	164	115	—
Tamil Nadu	862	—	18	93	2	—
Karnataka	664	—	31	270	19	18
Gujarat	465	28	11	495	47	—
Maharashtra	548	—	33	584	—	61
Madhya Pradesh	298	142	51	145	2	215
Uttar Pradesh	351	1324	88	6	—	144
Orissa	142	38	46	—	15	8
Punjab	141	140	8	408	—	—
Haryana	10	137	2	145	—	—
West Bengal	—	40	15	—	—	20
Rajasthan	181	255	22	115	—	41
Bihar	5	48	6	—	—	44
Others	31	99	15	9	2	13
	5111	2252	392	2434	210	564

Note : Coconut production during 1973-74 was stated * to be as follows:

	Million nuts	Per Cent
Kerala	3719	62
Tamil Nadu	1091	18
Karnataka	721	12
Andhra Pradesh	173	3
All Other States	326	5
	6030	100

* Estimates of area and production of principal crops in India, 1975-76, Directorate of Economics and Statistics, Government of India, New Delhi.

** Derived from production figures for cotton (Reference (a), pp 74-75) using the usual ratio of 1:2 for cotton lint to cotton seed.

However, this dispersed production of the oilseed is again matched by dispersed production of sesame oil in the very same states. Thus, even here, local crushing of local oilseed is the rule.

Thus each oilseed in India is almost wholly crushed in the same state where it is produced. Movement of oilseeds between states is, therefore, small in magnitude.

OILSEED CRUSHING CAPACITY

In attempting to match production of oils with installed oilseed crushing capacity (also shown in Table 4) there are clear discrepancies. However, power oil mills are not the only means of obtaining oil. As shown in Part 1 of this paper, nearly a-quarter of oil production is in village ghanis. These are not included in the oil mills listed in Table 3, nor are they used to calculate the capacity percentages in Table 4. Nor, for that matter, are solvent-extraction plants for recovery of oil listed in the tabulation — though their contribution to the total oil recovery in the country is barely 5.5 per cent.[4] It is not unlikely that use of only partial data would account for the apparent discrepancy between the proportions of oil production, and the actual oil production capacities, in the areas producing each oilseed.

OILSEEDS AND OILS MOVEMENT

Table 5 shows data of the movement of oilseeds and oils within India in 1974-75. Figures are available only for three major oilseeds and for two oils; presumably other movements are too small in quantity as well as degree to be recorded.

What is clear is the very small proportions of oilseeds that move at all. The proportions are 4.0 per cent of groundnut, 10.0 per cent of rape/mustard, and 8.2 per cent of sesame. Moreover, even of this movement, a high proportion (78, 76 and 50 per cent, respectively) moves only to a limited number of states (three, three, and one respectively); even these are usually contiguous with producing area, and are sometimes themselves major producers of the same oilseed (groundnut, for example, moves in substantial quantities into Maharashtra and Gujarat, both of which are major producers). Clearly, it is the demand for oil in these states, and their high production capacity, that propel such movement.

Oil movement is even smaller than the movement of oilseeds. For the only two oils for which data are available, just 4.6 per cent of the production of groundnut oil and 5.1 per cent of that of coconut oil travelled inter-state, and again this was largely to limited areas. Some 64 per cent of all the travel groundnut oil went to Maharash West Bengal and Delhi; a third of coconut oil moved to West Ben and a further 10 per cent or so w to each of a large number of st (Bihar, Madhya Pradesh, Orissa, U Pradesh and Delhi).

Thus only small proportions of seeds and oils are involved in in state movement. Even such movem is often to adjacent areas, not invo ing long distances.

Next, we may consider the market system operative for oilseeds.

MARKETABLE SURPLUS

Once harvested from the fields, oilseed has various outlets. First, the needs for sowing: this depends the seed multiplication rate. It is no worthy that as much as 10-12 per ce of the groundnut crop is required f the next sowing, whereas for all oth oilseed crops the proportion is betwe 6 and 2 per cent. Table 6 attempts bring together information on the va ous outlets for oilseeds prior to the large-scale marketing. These includ apart from sowing, domestic use certain edible oilseeds (especiall groundnuts), use for culinary and cond ment purposes (rape/mustard, sesam niger and coconut), medical usage (lin seed and castor), and for direct use cattlefeed (cottonseed and linseed). C course, there is some degree of over lap in these categories.

The proportion of each oilseed, le after these uses have been fulfilled, i what constitutes the marketable sur plus. This proportion will vary fro one oilseed to another. The actual mar ketable surplus appears to be about 9 per cent for an oilseed like castor around 85 per cent for groundnut rape/mustard, safflower and linseed, 5 per cent for sesame and nigerseed, an only 33 per cent for all the coconut produced in the country. Coconut re presents an unusual case. Not only i the green nut used in religious cere monies and as a source of the refresh ing drink coconut water, but even th 41 per cent of nuts converted to copr is not thereafter all employed for ex pression of oil; some copra is consume for culinary purposes; and finally onl about 33 per cent of the total coco nut production goes for oil crushing.

It is the marketable surplus of each oilseed that enters the wholesale trade Since oilseeds are mostly rainfed crops nearly two-thirds of the trading in oil seeds occurs in the five months betwee October and February.

TABLE 2: STATEWISE PRODUCTION OF VEGETABLE OILS IN INDIA, 1974-75*

	Groundnut	Rape/Mustard	Sesame	Cottonseed	Castor	Linseed
		All figures in thousand tonnes				
Andhra Pradesh	355	—	20	12	43	—
Tamil Nadu	196	—	10	1	—	—
Karnataka	169	—	15	27	—	—
Gujarat	116	—	—	84	18	—
Maharashtra	131	—	15	90	—	—
Madhya Pradesh	73	36	25	—	—	68
Uttar Pradesh	93	358	55	—	—	54
Orissa, Punjab, Haryana, West Bengal, Rajasthan, Others	109	42, 39, 144	65	2, 3	18	72
Total	1242	619	205	219	79	194

Note : * Regional Research Laboratory, Hyderabad, "Study on Oilseeds Sector: Processing and Utilisation of Oilseeds and Products", May 1976, p 67.

TABLE 3 : STATEWISE DISTRIBUTION OF OIL MILLS IN INDIA, 1974-75*

	Oil Mills		Installed Capacity	
	Numbers	Per Cent Total	Thousand Tonnes	Per Cent Total
Andhra Pradesh	527	3.4	1,695	12.0
Tamil Nadu	1,386	9.0	699	5.0
Karnataka	621	4.0	843	5.9
Gujarat	1,208	7.9	2,247	15.8
Maharashtra	1,689	11.8	2,355	16.6
Madhya Pradesh	963	6.3	1,294	9.1
Uttar Pradesh	4,293	28.0	3,067	21.6
Orissa	—	—	—	—
Punjab, Haryana	(320)	2.1	199	1.4
West Bengal	623	4.1	802	5.7
Rajasthan	2,000	13.0	184	1.3
Bihar	1,456	9.5	742	5.2
Others	253	1.7	53	0.4
	15,339	100.0	14,180	100.0

Note : *Table 2, Reference (a), p. 70.

WHOLESALE MARKETS

Information on oilseeds marketing is to be had from a number of published volumes.[5-10] There are three main points of assembly for the marketable surplus of all oilseeds, with some differences in the practices of buying and handling which are specific to the oilseed and the region. First, there are the local markets, next the assembling or primary markets, and then the terminal markets. The local markets, variously termed the *santhe, shandy, hat* or *painth,* are organised by the village panchayat, usually on some specific day of the week. There appear to be some 25,000 of these markets scattered all over the country — which works out on the average to one for every 20 villages. Assembling or primary markets are frequently termed the *mandi* or *gunj,* and constitute the main points at which oilseeds are assembled in bulk. There are about 3,500 of these in every state in the country. Tamil Nadu, Andhra Pradesh and Karnataka have each about 150-200 of them. Remembering that oilseeds do not really travel very far, these assembling markets are strongly specific to the local oilseed. Thus major assembling markets for groundnuts and cottonseeds are in the five producing states of Andhra Pradesh, Tamil Nadu, Karnataka, Gujarat and Maharashtra; for rape/mustard in Uttar Pradesh and Punjab; for castor in Andhra Pradesh and Gujarat; and for linseed in Madhya Pradesh and Uttar Pradesh. In these various states, the assembling markets are located either in district or taluk headquarters, or at important traditional trade centres, or near a railway station. These assembling markets are administered by local bodies or even by private persons, and have facilities for storage, handling, banking and transport, and do business daily. In an effort to safeguard the interests of the farmer-producers, most of these assembling markets have been reorganised by government as 'regulated markets'. A fairly recent new development is that of agricultural co-operatives for marketing of oilseeds. Terminal markets used to be synonymous with ports — a carryover from the years before the sixties when both oilseeds and oils were exported in sizeable quantities to European processors. Bombay, Cochin, Madras and Calcutta are still the chief of these, with extensive facilities for buying and selling transactions, storage godowns, warehouses, railways, docks and so on. Today, several other major inland markets are also considered terminal markets. The operations at these three wholesale market levels will now be described, with appropriate mention of the new developments of regulated markets and co-operative marketing.

ASSEMBLY AND DISBURSEMENT

(a) *Local Markets :*

Local markets cater mainly to retail sales of oilseeds in rather small lots destined for use in the vicinity. Oilseeds are brought to these markets by the farmer-producers themselves, by their landlords, or by village moneylenders (sowcars). Landlords are believed to collect for their own trading purpose something like a-third of the marketable surplus of groundnuts from the cultivators. Sowcars with money can drive hard bargains from the always hard-pressed cultivator, advancing money to him at 12 to 18 per cent interest, and sometimes collecting it all back in terms of produce. In Karnataka, it is stated[10] that 60 per cent of the marketable groundnut surplus is sold in this way at the farm itself, only the remaining 40 per cent reaching the local or primary markets. Today, finance can be had rather more readily by the cultivator, either as *taccavi* loans from government or from co-operative societies. But he continues in the stranglehold of the moneylender who is more readily available and approachable.

Buying from village markets is mainly for local crushing in village ghanis in neighbouring villages, or for personal use. Not very much appears to move from these local markets to the large assembly primary markets. However,

TABLE 4 : COMPARISON BETWEEN OILSEED PRODUCTION, VEGETABLE OIL, PRODUCTION AND INSTALLED OILMILL CAPACITY FOR EACH MAJOR OILSEED*

Oilseed	Major Producing and Crushing States, Listed in Order of Magnitude	Percentages in All the States Mentioned to Total		
		Oilseed Production	Oil Production	Oil Mill Installed Capacity
Groundnut	Andhra Pradesh Tamil Nadu, Karnataka, Maharashtra and Gujarat	77	78	55
Rape/Mustard	Uttar Pradesh	59	58	22
Sesame	Uttar Pradesh leads (23%), but distribution spread all over country (6 other states producing from 5 to 13% each)	—	—	—
Cottonseed	Maharashtra, Punjab/Haryana Gujarat and Karnataka	78	92	40
Castor	Andhra Pradesh and Gujarat	77	77	28
Linseed	Madhya Pradesh and Uttar Pradesh	64	63	31
Coconut	Kerala	62	70**	—

Note : * Deduced from Tables 1, 2 and 3.
** Wealth of India, Raw Materials (Council of Scientific and Industrial Research, New Delhi), "Cocos", 1950, Volume 2, p 284.
Wealth of India, Industrial Products (Council of Scientific and Industrial Research, New Delhi), "Vegetable Oil Industry", 1976, Part 9, p 139.

TABLE 5 : MOVEMENT OF OILSEEDS AND OILS WITHIN INDIA IN 1974-75 *

	Total Quantity Moved		Main States to Which Moved, (tonnes)	Proportion to Total Quantity Moved (Per Cent)	
	Tonnes	Percentage of Produce			
(I) OILSEEDS					
Groundnut	233,000	4.0	Maharashtra	79,000	
			Gujarat	77,000	
			Madhya Pradesh	17,000	
				173,000	78
Rape / mustard	171,000	10.0	West Bengal	97,000	
			Bihar	20,000	
			Uttar Pradesh	12,000	
				129,000	76
Sesame	40,000	8.2	Tamil Nadu	20,000	50
(II) VEGETABLE OILS					
Groundnut	64,000	4.6	Maharashtra	16,000	
			West Bengal	15,000	
			Delhi	10,000	
				41,000	64
Coconut	9,000	5.1	West Bengal	3,000	33

Note : * *Bulletin on Food Statistics*, Directorate of Economics and Statistics, Ministry of Agriculture and Irrigation, Government of India, New Delhi, 1976, pp 132-137.

agents of big companies are known to buy cheap at the local markets and sell dear at the next level.

(b) *Assembling or Primary Markets :*

Assembling markets are the hub of the large trade in oilseeds. The latter reach the assembling market by cart or lorry, either bagged or loose, and from a large number of sources. For example, 20 per cent of linseed,[7] is stated to be brought by producers, presumably the farmers themselves; 40 per cent by village landlords (who collect these in lieu of wages or rent from their tenant farmers), village *arhatiyas* or *adatyas* (who collect their *adat* or commission of one or half per cent), merchants or moneylenders (often the same persons); 35 per cent by itinerant *vyapa kochis*, who buy direct from t mers after inspecting quality; per cent by wholesale merchant

At these daily markets, oilseed in heaps or in bags are auctioned evaluation of their quality accord time-worn traditional technique criteria. Seeds from bags are sa with a wooden probe; and seeds heaps are sampled by random pi They are judged by the criteria o and sight to determine the propo of *raj* (dirt, trash or refractions). T after, the system of price fixatio oilseeds varies with the market an oilseed. In some markets, the se considered *pucca* or high-class i refraction is below about 1.5 per and *kutcha* or poor if above 5 per elsewhere there is a *karda* sl system of discounts. In general, les refractions are permitted in large seeds such as groundnuts and ca and more in tiny ones like sesam rape/mustard.

The striking of the deal bet buyer and seller is done in se ways, and more than one system operate in the same market. In method, the buyer clasps the *ada* hand under cover of a cloth to sig acceptance of his price, and other ers are unaware of the deal. This tem appears to prevail in the assem markets of Maharashtra, Uttar Prad and Madhya Pradesh. In the south markets, deals are entered into in vate between the *dalals* or brokers (v carry samples with them) and buyers, implying a certain trust in *dalal*. In Madhya Pradesh, open a tions are conducted by the *adatya* the *dalal*.

Who constitute the buyers of oilse thus sold, and how are they financ First come the bigger *adatyas* or c mission men, who have ready cash borrow it from their fellow *adat* Next are up-country merchants, v get advances from a bank by pledg seeds, especially if sales to the ter nal market are delayed; the maxim storage period is six months and rate of interest 5 to 8 per cent. N come the representatives of big fi that process the oilseeds, who of maintain offices in the important m kets and do not need outside finan Sometimes these firms buy from th appointed agents, who are finan either by themselves or by *shroffs* indigenous bankers. Thereafter b the *adatyas* and the village mercha supply what they have bought to terminal markets, or may sell directly oil mills or to retailers.

TABLE 6 : USE OF OILSEEDS OTHER THAN FOR ORGANISED OIL EXPRESSION

	Ground-nut	Rape/-Mustard	Sesame	Cotton-seed	Niger	Safflower	Coconut	Castor	Linseed
	All figures as percentages of total production								
eed purposes	10-12	2.5	2	(6)	6	5.6	2.0		5
omestic use	—		18	—	21	—	53.4	6	—
dible purposes	1	2.0	14	—	17	5.1	11.7	—	—
attle feeding	—	—	—	(29)	—	4.3	—	—	7
or home crushing	2	12	—	—	—	—	—	—	—
ayment in kind to landlord	1	—	—	—	—	—	—	—	—
Total	13–15	16.5	44	35	44	15	67.1	6	12

ources : Report on the Marketing of Groundnuts in Mysore State 1961, Chief Marketing Officer in Mysore, Bangalore-1, p 13; on p 29, a figure corresponding to 3 per cent use for edible purposes is also stated.
Gen. Report on the marketing (of the particular oilseed noted) in India, Ministry of Food and Agriculture, Government of India, as detailed below:
Rapeseed and Mustard, 1966, AMA 155, p 22 (New Delhi).
Nigerseed, 1970, AMA 169, p 9 (Faridabad).
Saffiower Seed, 1967, AMA 162, p 8 (Nagpur).
Gen. Wealth of India, Raw Materials (Council of Scientific and Industrial Research, New Delhi) as detailed below:
Safflower seed, 1956, Volume 4, p 270.
Sesame, 1972,Volume 9, p 279.
Castor, 1972, Volume 9, p 34.
Linseed, 1962, Volume 6, p 126.
K S Murti and K T Achaya, "Cottonseed Chemistry and Technology", Council of Scientific and Industrial Research, New Delhi, 1975, p 6; proportions of the two outlets approximated from the total of 35 per cent.
Regional Research Laboratory, Hyderabad, "Study in Oilseeds Sector: Processing and Utilisation ofOilseeds and Products", May 1976, p 74.
P S George, U K Srivastava and B M Desai, "The Oilseeds Eoconomy of India", Macmillan, India, 1978, p 70.
Includes religious use of fresh coconuts.
Tender nuts 3.5 per cent *plus* edible copra 8.2 per cent.
Includes medicinal use.

The transactions at these assembling rkets involve a number of major and nor functionaries, each of whose vices has naturally to be paid for. lls and taxes for making use of the rket appear to work out at about 75 se per Rs 1,000 of produce and is arged to the seller. Commission is d to the *adatya* equally by the seller d the purchaser and can be as high Rs 8 per Rs 1,000 of oilseeds sold, ile the brokerage of about Rs 5 per 1,000 is charged only to the pur-aser. Next come various types of ndling charges. *Hamals* are labourers gaged for filling, packaging and cking bags, and *palledars* for holding bags: they may be paid by con-ctors on a monthly basis, or for cework, at the rate of something 10 paise per bag, shared equally tween seller and purchaser. *Tolas* d *bayas* are weighmen employed as mmission agents by the buyers, and re are *jamedars, chowkidars*, water-n and sweepers who are paid by the rket authorities, but often make ir own demands on seller or buyer. many markets, there also exists a ditional *dharmada* or charity charge, ich equals the hamalage charges, d a *goshala* at cow-care charge. Total rges vary greatly, almost threefold, m one market to another — ranging, example, from Rs 3 to Rs 16 for ry Rs 100 worth of groundnuts-in-ell sold.

Regulated markets[11] are no other than assembling primary markets in which the multiplicity of agents and of charges have been brought under control so as to benefit the producer, and induce him to bring his products directly to the market. The first regulated market was established in 1886 at Karanja, under the Hyderabad Residency's Order. Gradually, various provinces also enacted Market Acts to establish regulated markets, and today they are in force in almost every state in India. These markets cover, in the different states, commodities such as cereals, pulses, oilseeds, fibres such as cotton and jute, fruits and vegetables, live-stock and livestock products, condi-ments, and such materials as fodder and grass, tobacco, lac and jaggery. Mar-ket committees with wide representa-tion supervise the regulated markets under the administrative control of state marketing departments.

Impressive strides have been made in bringing existing markets under re-gulation and providing the extra amenities needed. From just 150 or so regulated markets in 1947, the figure has grown to 2,936 in 1974, with parti-cularly large numbers in Punjab, Maha-rashtra, Gujarat and Karnataka.[6] Only a few hundred assembling markets are not under regulation, and it is claimed that nearly 70 per cent of oilseeds are brought directly by producers to them. The categories of beneficiaries and pay-ments have been reduced, from the 15 to 25 that existed earlier, to just 5 — *viz*, market fee, commission, brokerage, weighmen and hamali charges. The resulting saving in costs, to seller and buyer, is stated to have dropped from the 2.5 to 16.5 per cent earlier to just 3 to 4 per cent, expressed in terms of the produce sold. Sales are by open auction or by the tender system.

On the other hand, many regulated markets are reported to be doing poor business because of private competi-tion. In Tamil Nadu, a report[12] states that only 25 per cent of the market-able surpluses of important agricul-tural commodities is sold through organised marketing channels and only 15 per cent through regulated markets. Lack of proper marketing yards, of timely credit to producers, of transport and lodging facilities, and intimida-tion by private traders are given as reasons. Remedial measures suggested are the provision of such lacunae as processing equipment (like seed de-corticators and driers), grading facili-ties, warehouses, storage capacity linked with bank credit, and a cell of experts to provide market intelligence.

(c) *Terminal Markets :*

Oilseeds such as groundnut and se-same move from the assembling to the terminal markets mostly by railway. The rates are those under category NOC (not otherwise charged). C/75

TABLE 7 : VEGETABLE OIL PRICES ON THE BOMBAY MARKET OVER A DECADE (YEAR JUNE TO FOLLOWING MAY)

Oils	1964-65				1969-70				1974-75			
	Peaks		Troughs		Peaks		Troughs		Peaks		Troughs	
	Rs/t	Week of	Rs/t	Week of	Rs/t	Week of	Rs/t	Week of	Rs/t	Week of	Rs/t	Week of
Groundnut	3220	Sep 26	2160	Oct 31	5400	Sep 13	3500	Nov 8	9860	Aug 24	7710	Nov 2
	2470	Dec 19	2040	Mar 27	5400	Sep 27	3520	Nov 29	8400	Jan 18	7520	Feb 22
	2500	May 22	2280	June13	5300	May 30	4380	Feb 7	8440	Apr 26	7630	Mar 29
Cottonseed	2680	Sep 26	2020	Oct 31	5040	Sep 13	3300	Nov 8	9200	Aug 24	7470	Oct 26
	2320	Dec 19	1760	Mar 13	4360	Jan 10	3780	Nov 29	7960	Jan 18	6840	Mar 27
	2260	May 22	2060	June 13	5120	May 30			8400	May 3	8000	July 20
Sesame	2960	July 4	2420	Aug 22	5180	Sep 13	3600	Nov 8	9300	Jun 1	7500	Oct 26
	3100	Sept 26	2240	Oct 31	4640	Jan 10	4440	Feb 7	9340	Aug 24	7280	Mar 1
	2900	Dec 19	2400	Feb 20	5500	May 30			8220	Nov 9		
	2840	May 1							8900	May 10		
Linseed	2120	Aug 1	2020	Oct 31	3680	Jun 28	3320	Nov 8	8200	Aug 24	7250	Jul 13
	2200	Sep 26	1760	Apr 3	4700	Jan 10	3800	Apr 4	8300	Oct 5	7700	Oct 26
	2920	Dec. 2							8220	Dec 7	5520	Mar 1
	2000	May 1 and 22							6000	Apr 19		
Castor	1760	Aug 1	1350	Jun 6	2700	Jun 28	2250	Nov 8	5600	Jun 22	5020	Jul 13
	1820	Oct 10	1610	Mar 13	3210	Jan 17	2700	Feb 14	5400	Sept 21	4460	Nov 2
	1910	Jan 2	1610	Apr 10	3100	Apr 11			4800	Dec 7	3520	Feb 22
	1700	May 15			3170	May 30			4000	Apr 19		

Note : Based on figures published in the *Oils and Oilseeds Jurnal* of relevant years.

r smalls in wagon loads, with a mini-um weight of 14.5 tonnes, class 52.5. harges are telescopic with distance, id there is a basic and supplementary harge. The present rates per tonne e Rs 99-180, 56-90 and 27-90 for 00, 500 and 200 kilometres, respecti-ly.

The Bombay terminal market, easily ie largest for oilseeds, illustrates the peculative activity that characterises ie operations by which the produce is nally disposed of to the ultimate ers. Mainly, these would be the po-er milling sector, constituting some 7,000 units — each with a comple-ent of several screw and rotary pres-s, that produce 68 per cent of the il in the country.[4] Export agencies or oilseeds were also involved at one me in a big way, but since the main xport of seed now allowed is HPS hand-picked selected) groundnuts — me one lakh tonnes worth Rs 50 rores every year — this is now a com-aratively small outlet that accounts or just one per cent of total oilseed roduction. Wholesale agents of oil-eeds also draw their supplies mainly rom the terminal markets, directly or hrough intermediary stockists. As will be een, brokers are the controlling forces n both buying and selling, and all ransactions go through them.

Brokers act as sales agents for one arty and as buying agents for another, nd are well-acquainted with both ypes of transactions. Their brokerage s earned through bringing buyers and ellers together, and they must register vith the Grain Merchants' Chamber of Bombay to be certified for transacting usiness. The other type of broker is a *muccadam*, who not only acts as a buying and selling agent, but also has an adequate infrastructure to handle goods purchased by him for his custo-mers. Upcountry merchants who have bought in the assembling markets con-sign goods to them for sale, and city merchants entrust them with sale, purchase, storage and delivery of oil-seeds. A *muccadam* owns or rents go-downs, is responsible for the safety of his goods (insurance, for example), and must have at his command men, money, and credit. His fee or *muccadami* is collected on delivery of produce, with an extra charge if later storage is in-volved. Both brokers and *muccadams* particularly the latter, are men of sub-stance with long family histories in the trade; they have their own resour-ces, but do borrow on occasion from *shroffs* or nationalised banks.

Sales at the Bombay market are of three types. The first is the spot or ready transaction for goods that are ready or about to arrive. Usually about 90 per cent of the price is paid in advance by the buyer against railway receipts en-dorsed in the buyer's favour, and if the lot is rejected, the advance must be re-turned in five days. The next category of sales are called *waida* or future transactions, and these can be conclu-ded in terms of delivery, or of 'bazar' buying. The last type of sales is the *teji-mandi* which involves double op-tions: *teji* iis the option to buy (when a price rise is expected) and *mandi* is the option to sell (if a fall in price is anticipated), and in such transactions, payment is protected and there is a further good chance of profit. Buying when prices are low, and selling when prices are high, is why oilseeds (and oils) are highly speculative commodi-ties that figure in daily stock market quotations.

Sales are made on the basis of quality. In Bombay, 4 per cent refraction (on groundnut) is accepted as the basis and 5 per cent (on rape/mustard seed) in Calcutta. This means that if the lot is above the accepted figure, the buyer gets paid, and if below it, the benefit goes to the seller. Contracts for sale are of several types. Mill contracts are written contracts that specify quantity, quality, degree of refraction, rate, bag-ging, delivery terms and terms of pay-ment. Exporters' selling contracts are similar, but exporters' purchasing contracts are couched in terms of the London contract, which is in use world-wide. The 'futures' contract is drawn up by the Chamber of Commerce and attempts to safeguard the interest of both parties making the contract.

(d) *Co-operative Marketing :*

The growth of co-operatives has been conspicuously successful in the dairy sector, where both production and marketing are handled by such socie-ties. Attempts have been made to form co-operatives or similar lines for agricultural crops and to link them with regulated markets for selling the farmers' produce. While foodgrains worth about Rs 800 crores and sugar-cane worth about Rs 600 crores ap-pear to be marketed annually,[13] even these constitute only 3 and 30 per cent, respectively, of the produce nationally sold. Figures for oilseeds directly marketed by farmers' co-operatives are not to be had, but are believed to con-stitute at present a very small propor-tion of the total.

A plan has been launched[14] for the co-operative production and marketing of vegetable oils by the National Dairy Development Board in order to make these operations more efficient, and free them from speculative influ-ences. This envisages control over 2 to 4 lakh tonnes of vegetable oils annual-ly, both indigenous and imported. To start with donated oil will be used as a tool to generate the investment re-quired to modernise and restructure the vegetable oil sector. Thus sub-stantial expansion in co-operative mar-keting of oilseeds and vegetable oils may be expected over the next 5-7 years.

(e) *Retail Marketing :*

Retail marketing is the last stage in the marketing operations for vegetable oil. Oil is sold through small shops scattered all over every town and city of India; these are owned by retailers and are under mu-nicipality control. The marketing ope-rations for oil are handled by the same agencies, such as *adatyas*, *dalals*, *shroffs* and brokers, who deal in oil-seeds. Producing oil mills and solvent extraction plants also have direct mar-keting arrangements for either pack-aged or loose oil with large or small dealers. Ghani-produced oil is vended either directly from the producing units, through local oil-mongers, or through the larger marketing system.

Price Variations in Vegetable Oils

The seasonal nature of oilseeds growth, the speculative nature of the trade, and the shortfalls in production over the last 15 years have the conse-quence of wide fluctuations in the prices both of oilseeds and oils. Prices of five major vegetable oils on the Bombay market, as quoted in a trade journal,[15] were plotted progressively for each oilseed for the three years 1964-65, 1969-70 and 1974-75, the 12-month period being treated, as is usual, from June of one year to May of the next. Table 7 is derived from these price plots for the three years.

The first of these 12-month periods, 1964-65, may be taken as fairly typical of an earlier period, when overall prices were generally stable, and the price of the oil at the end of the year had re-turned, after fluctuations, to almost its initial level. Castor oil prices remained remarkably steady throughout 1964-65 at Rs 1,700-1,800 per tonne. It was the lowest-priced of the five oils, and except for very brief spells, the oils ranked as follows in descending order of price: sesame, groundnut, cotton-seed, linseed and castor. This tradi-tional price order was upset in 1969-70, when the price of groundnut oil fre-

quently matched that of sesame oil. The trend continued in 1974-75, during which groundnut oil ruled well above sesame almost throughout the year, while cottonseed and sesame oil prices were for the most part identical.

The 1969-70 figures clearly reflect the rise and fall in prices, shown in Table 7 as peaks and troughs. The pattern is remarkably the same for all the five oilseeds, both the peaks and the troughs occurring in practically the same week of each year. Since the two inedible oils, of castor and linseed, are not interchangeable with the edible oils for most uses, this price sympathy must reflect remarkably similar market arrivals of all vegetable oils. Peak prices occurred in mid-September, December-January and end-May and troughs in October-November and February-March. The exact week in which they occur varies slightly from year to year, doubtless depending on harvest patterns, market arrivals of oil, and such events as a massive release of imported oil into the market deppressing prices out of turn. Sometimes, as in 1969-70, a general price baseline that is increasing steeply throughout the year can obscure both the peaks and the troughs, and even shift them back and forth.

The difference between minimum and maximum prices for any oilseed has widened in absolute terms over the decade being considered. The difference in 1964-65 for the five oils ranged from Rs 560 to Rs 1,180. It was from Rs 960 to Rs 1,900 in 1969-70; and in 1974-75, the minimum-maximum difference ranged between Rs 2,060 and 2,780. However, if expressed as a percentage of the lowest price for that year, the variation in price for the three edible oils in 1974-75 has actually fallen below that in the two earlier periods, as shown in the following figures:

MAXIMUM AND MINIMUM PRICE DIFFERENCE, AS PER CENT OF MINIMUM PRICE

	1964-65	1969-70	1974-75
Groundnut oil	58	54	31
Cottonseed oil	52	55	34
Sesame oil	38	53	28
Linseed oil	61	42	50
Castor oil	41	43	59

Thus, on the other hand, for the two inedible oils, the percentage variations between maximum and minimum have remained constant, or even slightly risen, during the decade. And the trend in recent years is towards lesser relative percentage price variations for edible than for inedible oils.

The decade between 1964 and 1975 has been marked by a three to four fold increase in the prices of all vegetable oils, both edible and inedible. Groundnut oil, from a maximum price range between Rs 2,500 and 3,200 per tonne in 1964-65 rose to figures of Rs 8,400 to 9,860 a decade later, and castor oil from Rs 1,700 to 1,900 to values of Rs 4,800 to 5,600. The sharpest rise was for linseed oil, up from a maximum of Rs 2,000 to 2,900 in 1964-65 to Rs 8,200-8,300 ten years later. This increase is part of the general inflation that occurred during the period and affected all commodities, including food materials. Taking 1960-61 prices as the base assumed as 100, the 1964-65, 1969-70 and 1974-75 prices of all food articles taken together stood at 135, 192 and 356 respectively. The ratio between them works out to 1.00 to 1.42 to 2.64. Thus the more than three-fold inflation in vegetable oil prices was relatively greater than that for food materials in general. As it happened, 1974-75 was the year of peak inflation, and in the two years that followed the food price index dropped to 305 and 317. This drop also occurred in prices of vegetable oils in 1975-76 and 1976-77, during which groundnut oil prices ranged between Rs 4,500 and Rs 7,500 a tonne. Such inflationary trends have both national and international dimensions.

Notes

1 K T Achaya, "Visible and Invisible Fat Consumption in India, and the Influence of Region, Income and Age: Part III — Quality of the Fat Consumed", *Indian Journal of Nutritional Dietetics*, 1978, 15, 181.

2 Estimate of area and production of principal crop in India, 1975-76, Directorate of Economics and Statistics, Government of India, New Delhi.

3 Wealth of India, Industrial Products (Council of Scientific and Industrial Research, New Delhi), "Vegetable Oil Industry", 1976, Part 9, p 139.

4 S Chandrasekaran and K T Achaya, 'Profile of the Indian Vegetable Oil Industry: Part I — Production System', *Economic and Political Weekly*, February 23, 1980.

5 J C Bahl, "The Oilseed Trade of India", New Book, Bombay, 4th edition, 1938.

6 C B Mamoria, "Agricultural Problems of India", Kitab Mahal, Allahabad, 8th edition, 1976, Chapter 25: Agricultural Marketing.

7 C B Mamoria and R L Joshi, "Principles and Practice of Marketing in India", Kitab Mahal, Allahabad, 4th edition, 1975. Chapter 26: Marketing of Cash Crops.

8 Report on the Marketing (of particular oilseed noted) in In Minisrry of Food and Agricult Government of India, as detai below:
   (a) Rapeseed and mustard, 19 AMA 155 (New Delhi)
   (b) Safflower seed, 1967, A 162 (Nagpur)
   (c) Niger seed, 1970, AMA (Faridabad).

9 Brochure on the marketing groundnuts in India, Directorate Marketing and Inspection, Min try of Agriculture, New Del 1950.

10 Report on the Marketing Groundnuts in Mysore State 19 Chief Marketing Officer in Myso Bangalore-1.

11 "Working of Regulated Markets India: Volume 2, Directorate Marketing and Inspection, Mini try of Food, Community Develo ment and Co-operation, Gover ment of India, Nagpur, Marketi Series Nr 175, 1968.

12 Anonymous, 'Fair Market Is Still Far Cry', *The Hindu*, Novemb 25, 1975.

13 Draft Fifth Five-Year Plan 197 79, Planning Commission, Gover ment of India, Volume 2, p 82.

14 'Restructuring Edible Oil and Oi seed Production and Marketing National Dairy Developmen Board, Anand, 1977; *Oils and Oi seeds Journal* 1978, Volume 3 Nr 4, p 22.

15 Issues of the *Oils and Oilseed Journal* for the relevant years.

Tata Oil Mills

TATA OIL MILLS proposes to exten the life of 35,000 cumulative redeem able 'A' preference shares of Rs 10 each by 15 years to March 31, 199 by enhancing the rate of dividen from 9.3 per cent to 11 per cent wit effect from April 1, 1980 and to also make a new issue of 80,000 preferenc shares of Rs 100 each which too wil be redeemable on March 31, 1995 The latter shares will be privately placed for subscription at par wit financial institutions or any other per sons. The company will obtain the approval of the Controller of Capital Issues to these proposals. Those share holders who are not aggreable to th renewal of their existing 'A' prefe rence shares on the revised terms wil be entitled to have their shares re deemed on March 31, 1980 with the dividend due thereon. Meanwhile the company has reported poor work ing results for the half year ended September 1979 with decline in gross profit from Rs 2.59 crores to Rs 2.31 crores in the same period last year

Empirical Identification of Peasant Classes Revisited

Utsa Patnaik

N a recent issue of this journal[1] anjit Sau offers criticism of my piece n "Class Differentiation within the easantry" written some years ago.[2] thank Sau for his detailed discussion hich has helped to clarify the issue many respects. My observations ere may be divided under four heads:) on Sau's own proposed criterion r demarcating the class status of pea- nt households, which he thinks hould replace mine; (2) on his criti- sms of my formulation; (3) on the uestion of what constitutes the arrier to productive investment in griculture; and (4) some results of pplying our criterion to primary data

I

On Sau's proposed empirical crite- ion, which he defines as "the ratio etween the surplus product appropria- ed by the peasant and the surplus roduct supplied by him" and labels he "rate of exploitation R". The ationale and meaning of this formula- ion escapes me despite sincere ttempts to understand it.

The problem is that the formulation s not related in any way by Sau to he very clear and explicit discussion f the question by Lenin in "Prelimi- ary Draft Theses on the Agrarian Question" (presented to the Second Congress of the Comintern) and by Mao Zedong in "How to Differentiate he Classes in the Rural Areas". These wo pieces giving the criteria for lemarcating peasant classes, forms for us, the focal point of the discussion: we tried to formulate our index for listinguishing the class status of house- holds, with explicit reference to these lassic discussions. Our understand- ng from reading these and other ources was that the extent of exploit- ng or being exploited, *relative to* the xtent of self-employment, may be aken the single most accurate index f class status within the peasantry, which subsumes other criteria.[3] The Marxian view of economic differentia- ion is that under commodity produc- ion, the self-employed petty producers ive rise to a rich peasant class cha- acterised by increasing appropriation f surplus labour by employing others, n the one hand; and a poor peasant lass increasingly obliged to part with surplus labour by working for others, on the other hand. Clearly, the fact of whether a household exploits, is self employed, or itself exploited; and the *extent* of exploiting/being exploited re- lative to self-employment, must be in- corporated in any empirical index. The *form* of exploiting/being exploited is relevant which it comes to distinguish- ing between the feudal versus capita- list character of the production rela- tion.

Sau makes no reference to the writings on which we based our for- mulation Instead he introduces a conceptual red herring: the 'rate of exploitation' (the ratio of surplus labour or product appropriated to necessary labour or product). This appears to be a plausible variable to introduce, at first sight, but in fact it is *not germane* to our particular prob- lem, which is to find a way of deter- mining the class status of individual households. It would be germane, if there was a clear correspondence bet- ween differing values of the rate of exploitation, and differing class status. But this is not the case and is not required to be the case, to our know- ledge, by any proposition in Marxist theory. It is quite possible for indi- vidual members of the *same* class — agricultural labourers, say — to be empirically subject to *differing* rates of exploitation; conversely, individual members of *differing* classes — say poor peasants and labourers — may be subject to the *same* rate of exploi- tation. There is no inevitability about the ranking: a labourer is not dis- tinguished from a poor peasant by being necessarily subject to a higher rate of exploitation, or for that matter a lower one. How can we possibly use 'the rate of exploitation' as an empirical index of the class status of individual households? We cannot; it is a logical *non sequitur*.

Sau frequently refers to Chen Po-ta's classic "Study of Land Rent in Pre-Liberation China". Now, Chen Po- ta worked out the average rates of rent exploitation, to which households *already grouped* into categories, were subject. Our present 'problematic' was not his: the question of how to determine the class status of each individual household and thus *classify* households, did not concern him in this study. On the contrary, for him this constituted a *datum*: the publish- ed data he uses (secondary data collected and grouped by three other researchers) were *already* grouped into categories such as 'owner peasant', 'tenant-peasant', and 'tenant-cum-la- bourer' (which incidentally are not classes, but descriptive aggregations based on form of tenure).[4] Given a category of 26 peasant tenant house- holds and a category of 7 tenant-cum- labourer households, Chen Po-ta works out the *average* rate of rent exploita- tion for each category. If we wish, we can carry out the same exercise today with Indian secondary data — take the 'pure tenants' in any Farm Management Study, for example, and and work out, the average rate of rent exploitation to which they are subject. The exercise would be interesting; but it is simply not germane to our speci- fic problem — which is to find a way of grouping the individual households of a primary survey in the first place, into the classes of Marxist theory.

The empirical criterion Sau finally does put forward is not even the rate of exploitation but a totally different concept. The "ratio of surplus product appropriated to necessary product" or the rate of exploitation is, it will be granted, not merely 'slightly different' from the "ratio of surplus product appropriated by the peasant to the surplus product supplied by him" which is Sau's formulation. The ratio of two surplus products is certainly a different concept altogether from the ratio of surplus to necessary product.

It thus seems to us that Sau makes unnecessarily heavy weather of the whole issue, first by introducing "the *rate* of exploitation" when it is not germane to our discussion; secondly by producing his formula without any reference to the relevant literature and thus leaving it without a discer- nible rationale; thirdly by labelling the formula 'the rate of exploitation R' when it is not the rate of exploita- tion. In my opinion, we academics exploring issues of this kind must anchor the discussion firmly to the classical writings: in this case, the very clear treatment of the subject by Lenin and Mao Zedong. Without this sheet-anchor, we are liable to lose our bearings completely and go round in endless circles.

II

With regard to the specific criti- cisms of our own formulation: here

TABLE 1 : NUMBER AND AVERAGE AREA IN ACRES OF HOLDINGS BY ECONOMIC CLASS AND ACREAGE OPERATED

Operated Area (acres)	Rich Peasant		Middle Peasant		Small Peasant		Poor Peasant		Petty Employer		All	
	No	Area	No	Area	No	Area	No	Area	No	Area	No	Area
Upto 2.5	1	1.50	5	1.95	33	1.62	4	1.61	4	1.12	47	1.61
2.5-5.0	3	3.00	17	3.29	44	3.31	10	3.00	2	3.25	76	3.25
5.0-10.0	5	7.95	39	7.64	50	6.87	„	„	„	„	94	6.89
10.0-15.0	3	11.79	10	10.95	4	11.62	2	12.50	„	„	19	11.42
All	12	7.15	71	6.19	131	4.50	16	3.87	6	1.83	236	5.03
	(5.11)		(30.11)		(55.5)		(6.8)		(2.5)		(100)	

TABLE 2 : LABOUR DAYS HIRED IN/OUT PER HOLDING

Operated Area (acres)	Rich Peasant	Middle Peasant	Small Peasant	Poor Peasant	Petty Employer	All
Upto 2.5	+180.0	+18.6	—12.6	—199.0	+26.1	—17.7
2.5-5.0	+134.5	+24.1	—10.4	—154.7	+121.8	—12.5
5.0-10.0	+266.2	+43.8	—4.4	„	„	+29.9
10.0-15.0	+392.2	+39.1	0.0	—180.0	„	+63.5
All	+257.6	+36.6	—8.4	+168.9	+58.0	+9.5

Sau is on firmer ground and some of his objections are well taken. His first positive contribution is to insist on the discussion being carried on "in the co-ordinate of surplus product". It is true, that there was an implicit assumption about rate of surplus in our formulation which should have been made explicit. Secondly, Sau is quite correct in pointing out the existence of a 'dimensional incommensurability' between the labour hiring and rent terms in our formulation. Both are *relatively* minor points : that is, the validity of the basic concept underlying the formulation remains unaffected. It is a simple matter to make the implicit assumption explicit, and to correct the dimensional incommensurability, and I do both below.

When we are trying to measure the extent of exploiting or being exploited relative to self-employment, the unit in which we do the measuring can, in principle, be either labour-days, or product, or value (income). We chose labour-days, because its operational simplicity and because it lays bare the underlying production relation in the clearest manner. I took for granted, without spelling them out, the following propositions. Every day of work performed (whether in self-employment, or in return for wages or a share of crop) contains a fraction representing necessary labour while the remainder represents surplus labour. Working for oneself *ipso facto* implies performing surplus labour which is not appropriated by anyone other than oneself; employing others implies appropriating unpaid surplus labour performed by others, i e, exploiting others; working for others implies parting with one's unpaid surplus labour, i e, being exploited. Taking these propositions for granted, I talked interchangeably of 'employing others' and 'exploiting others', for one implies the other.

Accepting the spirit of Sau's injunction to carry out the discussion 'in the co-ordinate of surplus product', I would submit that since the unit we use is labour-days, the more appropriate concept would be 'the co-ordinate of surplus *labour*'. Let the proportion of surplus labour in each unit of total labour be s. The necessary labour fraction n is then $1\text{-}s=n$.[5]

The implicit assumption we used is that s is uniform for self-employed, hired and tenant labour. Even if there may be differences in practice, these are not important for the purpose of our formulation. A uniform s implies a uniform $\frac{s}{1-s}$, or uniform *rate of surplus labour*, regardless of type of labour. (It may be noted that this is not the same as assuming a uniform *rate of exploitation*.) The assumption of a uniform rate of surplus labour is not particularly restrictive : it permits technical change, e g holdings based on hired labour may be operated at a different level of technique compared to holdings based on self-employed labour, provided technical change is mainly of the land-augmenting type which raises land productivity but leaves labour productivity relatively unaffected — as indeed is the case in reality in India.

Consider a situation where ther no leasing, and therefore, labour-h is the only factor distinguishing sant classes. The criterion we posed was :

E = Net labour days hired Family labour days (in self emp ment) on farm

$$= (H_i - H_o) / F \quad \ldots$$

where H_i = Labour days hired in

H_o = Labour days hired o

F = Family labour in self- ployment on farm.

(The notation used here differs fr that of the original article, to facilit identification of variables at a glan We may express the same criter in terms of surplus labour days :

E = Net surplus labour appropria though hiring/Surplus lab in self-employment on farm

$$= [(H_i - H_o) . s] / F.s = (H_i - H_o)$$

... (

where, s = Surplus labour per u (day) of total labour.

Thus, whether we talk directly terms of total labour days as in (1), o original formulation; or talk in ter of surplus labour days as in (2), we e up with the same result since one simply a fraction of the other and o ratio is unaffected. But, it is tr that the assumption of a uniform should have been explicitly spelt out

Now let us introduce leasing, so th a rent term is required in addition the labour hiring term. Sau sugges that the net surplus appropriated rent is

$$(L_o - L_i) . S \quad \ldots \quad (3$$

where L_o = Total labour days on lan leased out

L_i = Total labour days on lan leased in

(For Sau, s is surplus product p labour day whereas we have taken as surplus labour per labour day, t avoid a new unit.)

There is an implicit assumptio made by Sau this time, in formulatio (3): namely, that the entire surplus o leased out land is taken as rent, an similarly the entire surplus on leased i land is paid as rent. But this need n be the case, where rich peasant an capitalist leasing exists side by sid with the usual hunger leasing by pet tenants. The capitalist or even th rich peasant tenant will not pay th entire surplus as rent but retain som part as profit (vide our discussion capitalist and precapitalist rent). Ho

TABLE 3 : PERCENTAGE OF HIRED IN/OUT LABOUR DAYS TO TOTAL LABOUR DAYS WORKED

erated ea res)	Rich Peasant	Middle Peasant	Small Peasant	Poor Peasant	Petty Employer	All
to 2.5	72.9	19.2	—33.4	—81.7	65.5	—26.8
5-5.0	74.8	18.8	—41.6	—77.3	69.5	—15.4
0-10.0	71.9	22.2	—16.2	,,	,,	25.8
0-15.0	63.4	12.9	0.0	—64.7	,,	21.9
	68.8	19.5	—28.9	—76.5	68.3	

te : Total Labour Days = Family Labour days in Self-employment plus Labour Days Hired Out/In (absolute value).

TABLE 4 : AVERAGE LABOUR EXPLOITATION RATIOS E

erated ea res)	Rich Peasant	Middle Peasant	Small Peasant	Poor Peasant	Petty Employer	All
to 2.5	+2.69	+0.24	—0.50	—4.46	+1.90	—0.55
5-5.0	+2.96	+0.23	—0.71	—3.40	+2.28	—0.30
0-10.0	+2.56	+0.28	—0.19	,,	,,	+0.37
0-15.0	+1.73	+0.15	0.00	—1.83	,,	+0.34
	+2.21	+0.24	—0.41	—3.26	+2.15	+0.14

we measure the *actual rent* taken given, in labour days, as opposed to bly assuming that rent always com- es the entire surplus? It was in er to overcome this problem that I gested using the rental shares. The tal surplus taken in the form of : can be approximated by the ex- ssion

$$(k_1 L_o - k_2 L_i) \quad \ldots (4)$$

re k_1 is the share of rent to out- on land leased out, and k_2 simi- y the rental share of output on d leased in.[6] We would expect a italist tenant to pay a *lower* share is output as rent compared to the y tenant, and in any case lower n the share of surplus in output ich is the share of surplus labour total labour in producing that out- , i e, *s*). The above formulation s that if 100 labour days are re- red to produce an output X on ed out land, while the rental share is .3, then .3X is the surplus pro- t received as rent and this embo- s .3 times 100 or 30 surplus labour s. This may, or may not coincide the entire surplus, depending on ther $k_1 = s$ or $k_1 \neq s$.

here is no mistake upto this point ur formulation, as Sau thinks there The formulation does provide a sure of the net surplus labour *ually* appropriated as rent; and it bles us to cover a larger range of s than does his own formulation For not only can we take account the fact that in individual cases, capitalist tenants, *less* than the surplus is paid as rent, or $k < s$. We can also take account of over-exploitation, or the fact that in individual cases, e g, poor peasant tenants, *more* than the surplus on land leased out to them is taken as rent, or $k > s$. (Sau himself stresses that over-exploitation was found to be widespread according to Chen Po-ta's data for China, and we may certainly expect to find poor peasant tenants to be subject to similar over-exploitation in India.)

Our formulation (4) becomes identical with Sau's formulation (3) when $k_1 = k_2 = s$, that is when there is no difference in the rental shares and the share of surplus product/labour in total product/labour. This is equivalent to saying that neither capitalist leasing nor over-exploitation exists.

Our mistake lay in the fact that we added on the rental term (4) straightaway to the labour hiring term without first converting it to total labour days. The labour hiring term in (1) as well as the self-employment term in the denominator are in *total* labour days while the rent term in (4) is in, *surplus* labour days. Hence the 'dimensional incommensurability', Sau rightly points out. All we have to do to rectify this slip, is to convert (4) to the corresponding total labour days, before adding it on. The total labour days which generate the surplus labour days in (4), is given by dividing (4) through by s:

$$(k_1 L_o - k_2 L_i) / s \quad \ldots (5)$$

The corrected expression for the labour-exploitation ratio E becomes

$$E = \left[(H_i - H_o) + (k_1 L_o - k_2 L_i) \cdot {}^1/_s \right] / F \quad \ldots (6)^a$$

which differs from our original formulation only in that the rental term has been divided through by s to make it "dimensionally commensurable" with the remaining terms.

If we find from inspection of the households that capitalist leasing as well as over-exploitation appear to be absent or unimportant, we may as well assume that $k_1 = k_2 = s$, in which case the above reduces to the operationally more manageable formulation

$$E = \left[(H_i - H_o) + (L_o - L_i) \right] / F \ldots (6)^b$$

With the above correction, the criticism of dimensional incommensurability no longer stands. I hope the above clarifies the rationale of bringing in the rental shares. (If we wish to incorporate a loan interest term, incidentally, as Sau does, it would also be necessary to consider the loan-interest share of output if the criterion is to be made operational at all.)

To sum up the first two sections: I accept with thanks the specific criticism made by Sau on dimensional incommensurability and have corrected the original formulation accordingly. With the correction, the labour-exploitation criterion can be applied to cross-sectional primary data to obtain a preliminary classification of households. The basic concept used — the extent of exploiting or being exploited relative to self-employment — remained valid in any case. As mentioned earlier it is derived from our understanding of the discussion by Lenin in "Preliminary Draft Theses on the Agrarian Question" and Mao Zedong's "How to Differentiate the Classes in the Rural Areas". Sau's own alternative formulation we find unacceptable for the reasons set out in the first section.

III

On the question of what constitutes the most important barrier to productive investment in agriculture: Sau distinguishes between the usury-as-barrier hypothesis, and the absolute ground rent as barrier hypothesis which I put forward. He then tries to suggest that they are not separate, and that the real barrier to investment remains high usurious inerest rates. He argues that landlords do not become capitalists because for them,

$$\underset{r}{\text{rent}} + \underset{i}{\text{interest}} \geq \underset{r}{\text{rent}} + \underset{p}{\text{profit}} \quad \ldots (7)$$

The moment the rate of profit p exceeds the return to usuary i, the landlord will start investing in direct cultivation. So, the co-existence of landlords and capitalists requires that

$$\underset{p}{\text{profit}} = \underset{i}{\text{interest}} \quad \ldots (8)$$

In fact, it is not legitimate to write the inequality (7) as Sau has done, or to draw conclusion (8), unless the existence of absolute rent is ignored. Sau establishes his argument by assuming away mine. What is absolute rent? It is the 'return' to landed property, not the return to investment. The *rent* that a landlord gets from leasing out — the situation depicted on the left-hand side of the inequality — is produced with the means of production and labour, not of the landlord, but the *tenant*: the landlord's outlay in production is zero: he claims rent by virtue of legal property right alone, gets the rent 'free'. The *rent* that the same landlord gets in direct capitalist cultivation — the situation depicted on the right-hand side — must however be produced, in addition to profit as a return on his *own* outlays in production: it represents surplus profit in addition to normal profit on the capital outlays of the landlord. So, rent on the l h s and rent on the r h s are two qualitatively different things: they cannot be treated as symmetrical, and a cancelling out operation performed, as Sau does. In short, on the l h s, only i is the return on money capital invested by the landlord (the r is received 'gratis'); on the r h s, *both* r and p *together* have to constitute return on the same amount of money-capital. Sau's formulation in (7) ignores the distinction between return to investment, and return to landed property by treating them as equivalent: it ignores the basic character of absolute rent and hence its economic implications, and therefore arrives at the fallacious conditions in (8).

The condition for direct cultivation to take place, becomes far more stringent once the nature of the barrier of absolute rent is grasped. Sau thinks, that the 'normal' rate of profit on capital (his p) exceeds the interest rate i, investment by landlords will take place. On our argument, it will not, For the constraint is not merely that the 'normal' profit rate must exceed the interest rate. The condition imposed by absolute rent is far stricter: it is that the total profit on the investment of a given sum of money M in direct cultivation on a given area must at least equal interest on M, which is i *plus* rent from leasing out, r. Even if the 'normal' profit component in direct cultivation does exceed i, the basic constraint still remains, that a *surplus profit* equal to r must be produced, that p must contain an *excess of* profit over and above normal profit. In short landlord who is investing M and obtaining i interest, must by investing the same sum in direct cultivation not merely obtain $p \geq i$ but must obtain $p \geq (i + r)$ at least where r is the 'gratis' rent he obtains by leasing. This is what we mean by the 'barrier' of absolute rent. Our proposition is a *logically stronger* proposition: that is, overcoming of this absolute rent barrier implies that the "usury barrier" is also automatically overcome: but the converse is not true. Ultimately, the barrier to investment remains the monopoly of landed property.

IV

Readers who have borne with us thus far may be interested in a few preliminary results on labour-use, of applying the labour-exploitation criterion to cross-sectional data collected in a survey of 236 land-operating households in Haryana in 1973-74 as part of an independent study of employment and unemployment among small farmer and labourer households. We were given access to the schedules and since employment data had been carefully collected, were able to calculate the labour-exploitation ratio for each household.[7] However in the absence of adequate information on leasing the rent term could not be calculated at all. Leasing is however of very small importance in Haryana by now, owing to extensive evictions in the past. The criterion used was therefore reduced to the labour hiring term:

$$E = (H_i - H_o)/F$$

The households were not drawn from the population of all holdings but restricted to holdings below 15 acres in size. This means that we cannot obtain the comprehensive class-structure in Haryana since most rich peasant and all landlord holdings were left out. However, the truncated nature of the sample itself provides a challenge to our contention of the existence of considerable economic differentiation within the apparently self-employed peasantry proper, even without considering the extremes of class structure namely landlord labourers.

Table 1 is a two-way Table, the break-up of households bo economic class and acreage si holding.[8] It will be seen that our tention, advanced in the original cle is borne out — namely that ings in a given acreage class ru entire gamut of economic class, so acreage cannot provide an acc idea of class status. Owing to th clusion of most rich peasants an landlords (since the households drawn from below 15-acre holding well as of landless labourers, the whelming majority of holdings rally turn out to be primarily employed that is, of middle peasan small peasant status. (We have cha the terminology slightly: The "u middle peasants" and "lower m peasants" of our original article here referred to as "middle peasa and "small peasants" respectively. is Lenin's usage, and it is more re tive of the fact that they are on o site sides of the exploitation bar The additional category of "petty ployers" in the Table consists of t households who do employ more h than family labour, but whose scal activity is very small and whose lab hiring reflects the absence of a bodied family workers. (One s household consisted of a 79-year woman, another of an old man his grandson, and so on.) It will recalled that the existence of s households was anticipated in the ginal article.

Table 2 gives the average numbe labour days hired in or out per h ing. It will be seen that rich pea holdings hired in 257 labour compared to 36 labour days hiring by middle peasants (one must bea mind that the figure for rich peasa in particular, is an under-estimate the actual figure since only rich sants with below 15 acre holdings included). The small peasants on a age hire out only 8 days of fa labour, while the poor peasants out 169 days of family labour. If confine ourselves to the acre grouping alone, the actual range hiring in and hiring out of labou moderated very considerably: range is from only 17.7 days hi out by the smallest holdings, to days hiring in, by the largest holdi The acreage grouping obscures the tual extent of class differentiation, si it lumps together holdings of diffe

s status in the same acreage groups. rationale of formulating and ap- ng a direct index of class status as we have used, finds a clear tration in this Table.

Table 3, the percentage of the ur days hired in or out to total ur days, has been given. Total ur days are defined as the family ur days in self-employment on n plus the labour days hired in, or family labour days hired out (tak- the absolute value). So this gives n idea of the importance of em- ing others, or working for others. find that rich peasants rely on ng the labour of others to the nt of nearly 70 per cent of their l labour requirement, while mid- peasants hire in just under 20 per t. The small peasants hire out fami- labour to the extent of nearly 30 cent of the total labour days work- by them, while poor peasants hire to the extent of over 75 per cent their total labour days worked. se poor peasants are thus by now ically agricultural labourers with ie land. It may be noted that two these households have an average eage of 12.5 — by no means the d of farm size which is "conven- nally" associated with semi-proleta- n status. The answer lies in the y large family size which means capita endowment is low: this case in illustrates the importance of ng a more direct index of class sta- than size of landholding alone.

Again, we find that the acreage ouping would give us little idea of e actual extent of class differentia- n. The smallest holdings on average e out just under 27 per cent of our days worked (here the net our hiring is taken) compared to out 22 per cent dependence on hir- g in of labour by the largest hold- gs. Since in a given size-class, for ample, that of upto 2.5 acres we ve one rich peasant holding hiring 180 days of labour, five middle asant holdings hiring in on average 3 days labour, thirty-three small asant holdings hiring out 12.6 days our and four poor peasant holdings ing out 199 days of labour, it is rdly surprising if the 'average' ob- ned by adding all these up and iding by the number of holdings. es not give us the labour-hiring cha- cteristic of any one class.

Finally, in Table 4 the same infor- ation is presented in terms of aver- e exploitation ratios, that is the ex- nt of hiring in or hiring out of labour relative to self-employment. (This criterion applied to the individual households was, of course, the basis for classifying them, in the first place.) We have not given the absolute figures for self-employment since those interested can work them out from the existing Tables.

An interesting feature of the sample was that "netting out" was not necessary : no household *both* hired in labour, and hired out family labour. (With the exception of two rich peasant households which hired out bullock teams and the labour complementary to this, for ploughing. The labour might have been family labour or farm-servant labour : in the absence of information we have ignored these cases.) However this may be because the data relate not to a crop year, but to a six-month crop season. It is possible that with a longer reference period, households which hire in labour in one season may hire out family labour in the other season.

The asset and current operations characteristics of the classes have been worked out as well but will be presented elsewhere. Additionally, it may be mentioned that household economic data at the village level collected by other researchers have been analysed recently using the labour exploitation criterion, which does appear to provide a satisfactory first approximation to the village class structure.

Notes

1 Sau, R, "A Theory of Rent and Agrarian Relations", *Economic and Political Weekly*, Vol XIV, No 26, June 30, 1979.

2 Patnaik, U, "Class Differentiation within the Peasantry: An Approach to the Analysis of Indian Agriculture", *Economic and Political Weekly*, Vol XI, No 39 Review of Agriculture, September 25, 1979.

3 Both Lenin and Mao Zedong in fact mention multiple criteria: (1) The extent of possession of means of production. (2) Whether the holding is run on family labour, or relies on hiring labour (Mao Zedong includes besides hiring, the question of rent exploitation) or is obliged to hire out labour; and the extent of employing others or working for others relative to self-employment. (3) Whether consumption needs of the family are satisfied or whe-ther deficit or surplus position is normal. These three criteria may be expected to be highly associated positively with each other. Obviously, for example, a household with no or little means of production will be obliged to work for others as hired labour or petty tenant and will barely succeed in getting a subsistence.

Of these three related criteria, (2) or the labour use criterion seems to be the single most important one, going to the heart of the matter; for the reason we picked out (2) for the purpose of constructing our empirical index. It is assumed that for all practical purposes, the other two indices get reflected in and hence subsumed under, the labour-use index.

4 Chen Po-ta took his data from "The General Economic Conditions of Kwangsi Province", a report of an investigation jointly undertaken by Chien Chia-chu,

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Dated February 29, 1980

(Krishna Raj)

Signature of Publisher

Han Teh-chang and Wu Pan-nung, He says, "I have availed myself of the data listed in the several Tables in their book... Admittedly, this data is not sufficient to enable as to explain all the subject matter under study, and consequently our research work must have certain limitations". Further, "In the data for Yulin County peasant households are classified into (1) owner-peasant, (2) owner-peasant and at the same time tenant-peasant... (3) tenant-peasant; and (4) tenant peasant and at the same time farm labourer. *For the purposes of our study, we shall consider all of them as direct producers.* The first two categories may possibly have included certain rich-peasant farming, that is, capitalist farming, employing wage labour. *In individual cases, even the tenant-peasant may have carried on rich-peasant farming.* The expenses, however, of hiring help constitute an insignificant part of the peasant household expenditure" (emphasis added).

It is clear from the above that Chen Po-ta was well aware that each of the given ownership/tenure categories contained households of *varying* class positions and that only the average rate of exploitation could be obtained, which was the average for a large number of households exploited through rent plus a small number of households themselves exploiting hired labour. This was the limitation imposed by the already grouped data. It implies that the rates of rent exploitation calculated by Chen Po-ta are underestimates of the actual rates to which poor peasants and small peasants were subject.

5 We may obtain a very rough idea of the value of s from NSS data on non-labour paid-out costs of production of the major crops which amounts to 30-40 per cent on average for the staple food crops and considerably less for the important raw material crops. Let us take 30 per cent, which is on the higher side as the approximate average. The net output or value added would be 70 per cent of gross output. The wage bill is roughly 10 per cent of gross output. Assuming the total consumption bill for family workers to be three times that for labourers (on the basis of their shares in working population), it would be 30 per cent. So the net output may be divided into 40 consumption and 30 surplus. The proportion of surplus product/labour in each unit of net total product/labour would be $s/(v + s) = 30/(40+30)$ or 0.43. $S = 0.43$ is probably an underestimate.

6 Originally we had written k as the share of rent in gross output. Strictly speaking it should be the share of rent in net output, after deducting the constant capital element. The direct labour employed in production is embodied in consumption plus surplus or net output, $v + s$. The value of s was derived on this basis above.

Alternatively, if for computational simplicity we do take k as the share of rent in gross output, then s has to be correspondingly redefined to mean the proportion of surplus product/labour per unit of total product/labour where total product includes constant capital. Then $s = s/(c+v+s) = 0.30$, if the approximate values of note 6 are considered.

Either formulation could be used provided consistency is maintained between the definitions of k and s.

7 My thanks are due to my colleague Sheila Bhalla for kind[ly] mitting me to work with t[he] collected under a project d[irected] by her for studying small [peasant] and labourer households in [Haryana].

8 The limits placed on the [class] exploitation ratio E for emp[loyer] defining the classes, are as [assu]sed in the original article, a[s fo]llows :

Rich peasant: $E \geq 1$
Middle peasant: $1 > E >$
Small peasant: $0 \geq E >$
Poor Peasant: $E \leq -1$

Ensure Proper
Tax Deduction
From
Salaries

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(i) RECOVERY OF THE ENTIRE AMOUNT OF TAX FROM HIM;
(ii) LEVY OF INTEREST AND PENALTY AND ALSO
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The Big and the Small

THE Reserve Bank has now published the fuller results of its Census of Public Limited Companies, 1971-72, a brief version of which had been released in the June 1978 issue of the Bank's *Bulletin* (see *EPW*, October 21, 1978). What stands out most of all in the present study is the extent of concentration in the private corporate sector in India. What is more, it is brought out unmistakably that such concentration has been actually fostered by the operations of government-controlled financial institutions.

Of the 4,243 non-government, non-financial companies for which the Reserve Bank obtained audited annual accounts for 1971-72, 2,548 were medium and large companies (with paid-up capital of Rs 5 lakhs and above) and 1,695 were small public limited companies (with paid-up capital of less than Rs 5 lakhs). The 2,548 medium and large public limited companies had at the end of 1971-72 a total share capital of Rs 1,822 crores, while the share capital of the 1,695 small companies was only Rs 27 crores, i e, a ratio between the two of 1:67. The position was worse with regard to reserves and surplus. The small companies possessed reserves and surplus of Rs 1.5 crores as compared to the medium and large public companies' Rs 1,208 crores, a ratio of 1:790. Similarly, the ratio of gross fixed assets of the two sets of companies was 1:101.

Concentration is equally glaring within the medium and large public limited companies. Of the 2,338 operating medium and large companies, there were only 48 with a paid-up capital of Rs 5 crores and above. These gaint companies accounted for 31 per cent of the total share capital and 40 per cent of the total reserves and surplus of all operating medium and large companies. The 48 companies also had 37 per cent of the erstwhile development rebate reserve and as much as 46 per cent of 'other' reserves (including initial and all types of depreciation reserves). They also possessed 35 per cent of gross fixed assets and 37 per cent of plant and machinery. If the next largest companies falling in the paid-up capital range of Rs 2 crores to Rs 5 crores are also taken into account, the number of large companies with paid-up capital of Rs 2 crores and over comes to 186 or just 8 per cent of the total of 2,338 operating medium and large companies. However, these 186 companies possessed 56 per cent of the paid-up capital, 67 per cent of total reserves and surplus, 63 per cent of development rebate reserve, 74 per cent of 'other' reserves and 58 per cent of gross fixed assets of all operating medium and large companies.

The Reserve Bank also gives the distribution of medium and large public limited companies by size of total net assets. There were 71 companies in the top asset group with net assets of Rs 20 crores and above, but these companies accounted for 35 per cent of paid-up capital and 51 per cent of reserves and surplus. They had 46 per cent of development rebate reserve and 54 per cent of 'other' reserves. If we include another 101 companies with net assets in the range of Rs 10 crores to Rs 20 crores, the total of 172 companies with assets of Rs 10 crores and above, forming just 7 per cent of the total number of medium and large companies, possessed 51 per cent of total paid-up capital and 69 per cent of total reserves and surplus, including 64 per cent of development rebate reserve and 77 per cent of 'other' reserves.

With their superior economic muscle, it is not surprising that the larger companies enjoy distinctly higher profit margins. Gross profits as percentage of sales worked out to 9.7 per cent for the 2,338 operating medium and large public limited companies and just 3.5 per cent for the 1,114 operating small public limited companies. Gross profits as a proportion of net worth (return on capital) was 10 per cent for medium and large public limited companies and 4.8 per cent for small companies. The return on shareholders' capital, represented by profit after tax as percentage of net worth, was 9.7 per cent for the medium and large public limited companies and 0.8 per cent for the small units.

Among the medium and large public limited companies, profit margins and return on capital are positively related to size. Gross profits as percentage of net sales steadily rose from 4.3 per cent for the lowest size group of companies with net assets of less than Rs 25 lakhs to 12.3 per cent for the highest size group of companies with assets of Rs 20 crores and over. Similarly, gross profits as percentage of net sales rose from 4.4 per cent to 11.4 per cent for the size groups of companies at the two ends of the spectrum.

It is significant that out of 3,453 operating companies, the 2,338 medium

and large companies had a gross profit (before payment of interest) of Rs 806 crores in 1971-72, in contrast with the paltry figure of Rs 5 crores for the 1,114 small companies. Out of these gross profits, the medium and large companies paid 35 per cent as interest on all types of borrowings, while the 1,114 small companies parted with as much as 63 per cent in the form of interest. A more serious disability of the small companies lies in their incapacity to achieve any significant plough-back of funds. While the medium and large companies achieved a plough-back of Rs 126 crores in 1971-72, the 1,114 small companies drew down, instead of adding to, retained earnings to the extent of Rs 53 lakhs. Again, nearly 80 per cent of the total retained earnings of the medium and large companies belonged to the largest two size groups of companies (forming only about 8 per cent of the total number of such companies), whether classified on the basis of paid-up capital or of total net assets.

Perhaps the most revealing of the findings of the Reserve Bank's study is that the financial institutions, including the commercial banks, reinforce, instead of offsetting, the advantages enjoyed by the large companies *vis-a-vis* the smaller ones. This finding makes nonsense of the repeatedly proclaimed intentions of using the financial institutions to help small entrepreneurs, to broaden the base of entrepreneurship, to loosen concentration of economic power, etc. The lending policies of the financial institutions have clearly militated against the growth of relatively small companies. The 4,243 public limited companies identified in the census frame had, on the basis of their balance sheets, outstanding borrowings of Rs 3,187 crores at the end of 1971-72. Of this, the outstanding borrowings, from all sources, of the 1,695 small companies were just Rs 40 crores and those of the 2,548 medium and large public limited companies Rs 3,148 crores, which gives a ratio of 1:79, against the corresponding ratio for paid-up capital of 1:67, for net assets of 1:70 and for net sales of 1:58. In other words, the share of the small companies in outstanding borrowings was even smaller than their disproportionately small share in paid-up capital, net assets or net sales.

These figures refer to total borrowings, including borrowings from unofficial sources. The picture actually becomes even more adverse to the smaller companies if we take only borrowings from public financial institutions. While the 1,695 small companies had outstanding borrowings of Rs 15 crores, the 2,548 medium and large public limited companies had borrowings of Rs 1,631 crores, giving a ratio of 1:108. Again, the small companies had a total debt of Rs 2 crores whereas the medium and large ones had a debt of Rs 556 crores, giving a ratio of 1:255. Almost all of the financial assistance extended even by the Central and state governments had gone to the medium and large public limited companies — the outstanding such assistance to them was Rs 101 crores whereas to the small companies it was just Rs 11 lakhs. Because of the non-availability of funds from institutional sources, small companies had to rely on 'unofficial' sources. They were indebted to the tune of Rs 22 crores to such sources, which constituted 56 per cent of their total borrowings. By contrast, the medium and large companies needed to rely on 'unofficial' sources only for 27 per cent of their total borrowings.

Again, among the medium and large companies, nearly one-half of their total borrowings were appropriated by some 8 per cent of the companies falling in the largest size group, by paid-up capital or by net assets. What is more, the share of these corporate giants in the total borrowings of medium and large companies from the term-financing institutions was as high as about 60 per cent.

Foreign Policy

Nervous Neighbours

THE return of Indira Gandhi has, understandably, caused some apprehensions in the neighbouring countries — understandable, considering that one of the themes of Indira Gandhi's campaign speeches was that the foreign policy of the previous administration had been so craven that "even countries like Bhutan" had begun to cause problems for India. That these apprehensions are not baseless has been demonstrated in the deliberations with representatives of neighbouring countries that have recently taken place in Delhi.

The Indo-Bangladesh talks were perhaps doomed to failure. Indira Gandhi has reason enough to want to settle scores with the present regime in Bangladesh which not merely came into being by overthrowing a regime considered by Indira Gandhi as her own contribution to history, but which was further guilty of being friendly with the Janata regime under which, indeed, the 1977 agreement was arrived. The rigid stand taken by both the sides at the recent talks that only their proposals for augmenting the f of the Ganga should be co dered ruled out any understand on the vexed question of the augmen tion of the flow of the Ganga. what is difficult to understand is reluctance (to put it mildly) of the p sent administration to (as it describ 'internationalise' the issue by involvi Nepal when the plain fact is that issue is an international issue.

Indeed, Nepal too is eager to ta part in any discussions on the subje of the augmentation of the flow of t Ganga. Speaking at a banquet giv in his honour by the President on Mar 6 during his visit to Delhi soon aft the breakdown of the talks betwe Bangladesh and India, King Birend said: "Nepal is prepared to take with India bilateral as well as region projects in the full trust that our lon term interests can be served bett and more fully when our interes transcend beyond the confines of o borders, based on the principle reciprocity and the optimal use of o resources for the optimum number countries so that peace be preserve and progress achieved for the benefit all in this region of Asia". However this almost plaintive call evoked no re sponse from India.

Clearly, India is determined to follow a strictly 'bilateral' approach in its relations with the neighbouring countries, not because the issues themselves are bilateral — history as well as geography dictate that most of these issues are not bilateral — but because only that way can India hope to assert its dominance over the other countries.

It was thus quite in character that though the King of Bhutan was visiting Delhi — and only Delhi — for four days on what was described as an official visit, there was no agenda for the talks. And while the King had suggested in September last, when there was a caretaker government in Delhi, that the 1949 Treaty perhaps needed another look, at the end of the present visit, the spokesmen of the Indian external affairs ministry was maintaining that the "Government of India agreed with the King's view that it was not necessary to discuss the provisions of the 1949 Treaty between India and Bhutan" while the King himself was merely (and eloquently) silent about it all, except to say (according to an Indian agency report) that "if the treaty did not create problems, there was no need to discuss it with India".

ANNUAL NUMBER

The Annual Number is under print and is expected to be ready shortly.

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anata Agonistes

his initial reaction to the Janata rty's miserable performance in the k Sabha polls, Jagjivan Ram had imed that the party's poor showing as in part due to its 'communal age', while at the same time clarifyg that this was only an 'image', not ality. The 'dual membership' issue, went on to say, was a 'non-issue'; d despite the debacle, the Janata ould 'continue its defence of demoacy' and would function in Parliament a "constructive opposition".

Such deliberate ambivalence has been feature of much of Jagjivan Ram's olitical utterances and actions since ien; and it was not at all surprising hat he, as the leader of the Janata arliamentary party, was conspicuously bsent from the rally organised jointly y the Janata party and the Lok Dal protest against the then impending reat of dismissal of non-Congress(I) ate governments.

Since then, rumours have been flying ick and fast about his imminent de arture to more inviting pastures, and one were to believe a Haryana leader, he transmogrification of the Janata hief minister of Haryana into a Conress(I) chief minister was not without he blessing of the party's leader in arliament. The clearly different attiudes taken by him on the one hand nd Chandrashekher and others on the ther on the question of joint campaigning with the Lok Dal in the by-elecions to the Lok Sabha from Lakhimpur Kheri and Rae Bareili further underined the differences in the party.

Which perhaps explains the extreme anguish' of his statement spelling out his reasons for 'dis-associating' himself rom the Janata. That political manifesto proclaims its firm opposition to uthoritarianism (Indira Gandhi), casteism (Charan Singh) and communalism the Jana Sangh component of the anata party). Ruling these forces out, he only constituency he is left with is he fast-dwindling one of the Conress(U). It might be that Jagjivan Ram oo plans to pursue the long hard road hat Devaraj Urs says his party proposes to pursue and build, at the allndia level, the kind of alliance that he latter is reputed to have perfected Karnataka. But such a venture appears out of character and, moreover, loes not promise quick returns.

A curious feature of the statement s its extreme bitterness against the RSS, considering that the RSS and the Jana Sangh were so recently being loyally defended by him. But Jagjivan Ram, like Charan Singh before him, was forced to realise that he was under an illusion if he thought that he was making use of the RSS and that the reality was the other way around. Indeed, as Jagjivan Ram was drafting his statement of 'dis-association', the party president himself, who had taken issue with Jagjivan Ram on the latter's attacks on the leadership, was conceding that Jagjivan Ram did have a point. and that 'dual membership' was very much a 'live issue'. What should really be giving immense satisfaction to the RSS leaders is the fact that leaders of most political parties have, over the years, been equally vehement defending and attacking the organisation.

One good thing that might yet come out of the political misfortunes and miscalculations of Jagjivan Ram and other Janata leaders is that it might at last force the party to face the problem that it has been trying to brush under the carpet ever since it came into existence — its relation with the 'non-political' RSS. The RSS, as its leaders have repeatedly proclaimed, is no one's cheerboy; the organisation has always judged its priorities to a nicety. In the present instance, there were allegations, well before Jagjivan Ram resigned, that the RSS had made a deal with Indira Gandhi. The decidedly friendly sentiments expressed by the top bosses of the RSS towards Indira Gandhi and Sanjay Gandhi, though dismissed by these leaders eager not to be seen as securing the approval of the RSS as mere kisses of death, cannot all have been one-sided exercises in devotion. More pertinently, whatever 'underground' work the lowly-placed cadres of the organisation might have engaged themselves in during Emergency, it should at least be clear to the more hard-headed leaders of the organisation that the long-term aims of the organisation are not different from those set by Indira Gandhi herself — the consolidation of the present Indian state with increasing centralisation of authority, its expansion and glorification.

With such friends eager to be of help, Indira Gandhi does not really need leaders like Jagjivan Ram — much less Bahuguna who has already been apparently discarded, after it became clear that even the limited usefulness that he was reputed to possess did not materialise during the Lok Sabha polls. But he would still be welcome to join Indira Gandhi, on her terms, just as so publicly avowed a foe as Bahuguna was also welcomed, to be swiftly neutralised. It is yet to be seen whether he too would make that journey of no return.

Cotton

Blind Man's Buff

WHEN the Cotton Advisory Board met in August 1979, it had been made clear that the cotton crop in the current season would be of the same size as in 1978-79, if not better. The crop would ensure a minimum availability of 10 mn bales, taking into account the carry-over stock of 2.5 mn bales. Against this, total offtake, i e, mill consumption plus extra-factory consumption, is certain to be less than 7.5 mn bales.

Given this picture of likely supply and demand, growers and trade had demanded release of an export quota of 0.5 mn bales to shore up prices. In 1978-79, the quota released for export had been 0.55 mn bales, though actual export had been 0.25 mn bales only. The government had initially maintained that it was too early to take any decision on the export quota and it was only on November 19, 1979 that 50,000 bales of Bengal Deshi were released for export.

The government chose to rely instead on the Cotton Corporation of India to prevent any precipitate fall in prices. In 1978-79 the CCI had purchased 1.09 mn bales of cotton worth Rs 210 crores. This season the CCI has been asked to make arrangements to purchase 1.5 mn bales.

Growers and trade have meanwhile continued to periodically revise downwards their crop estimates. Thus the estimate of cotton production has been now scaled down to 7.10 mn bales. Pressing demands for export of cotton and successively lowering the crop estimates have certainly helped in maintaining prices.

Against this background, the government sprang a surprise last month. The Union agriculture minister called a meeting of agriculture ministers of the important cotton growing states on February 15. This meeting placed the crop estimate at 8 mn bales and called for steps to prevent a slump in prices.

This sort of 'informed' rumour-mongering prevails because the government has failed to improve the crop forecast system and effect collection and timely publication of vital statistics. The East India Cotton Association President said a few days after the state agriculture ministers' conference that

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"main difficulty in assessing accurately and in time the cotton supply and demand position continues to be vital statistical gaps arising out of ay in official estimates of area and tput". In the absence of this information he urged that "arrivals and ming data be monitored on weekly fortnightly basis and size of the op assessed fairly correctly from them ring the year itself". Even though lf the cotton season was over, the IA president rightly pointed out, no m estimate of the crop was yet own.

The cotton marketing season is nearg its end and the market instead of eding has advanced. The *Economic mes* index for cotton which stood at 1 at the close of the previous season, d touched 189 at the end of last nth. This can be explained only in rms of the activities of the Cotton rporation of India which, according press reports, had already puchased little over a million bales by the iddle of February.

imbabwe

rom Form to Substance

HE British prime minister's churlish fusal to even formally congratulate e victorious party in the Rhodesian ections can hardly affect the reality the change in Rhodesia itself, which on the verge of being transformed, name as well as in substance, into mbabwe. The British ruling class is turally annoyed to find that all its st laid plans for perpetuating white inority rule in its colony have come nought: and Rebert Mugabe's ZANUF, the feared and reputedly 'marxist' mbination, has won an overwhelming ctory, despite severe odds and against l expectations, capturing 57 of the 80 frican seats and thus securing an ablute majority by itself in the 100ember parliament. The co-partner of e Patriotic Front, Joshua Nkomo's F, has captured 20 seats, leaving but ree seats to United African National ouncil of Bishop Muzorewa, the unalised great white hope in Southern rica. The remaining 20 seats won in e early phase of the election by the odesian Front were reserved for the hites even though they constitute less an three lakhs out of the country's tal population of about 70 lakhs — other words, 30,000 white voters ecting 20 representatives as against e 30 lakh black voters electing 80 presentatives according to that strange principle of parity agreed upon in the Lancaster House talks. Despite the fact that the two components of the Patriotic Front decided to fight the elections separately, and in many places against each other's candidates, together they have swept the polls, capturing all but three of the total 80 black seats.

Clearly, the victory of ZANU-PF was not expected, and has not been welcomed in certain circles. A constant refrain from Government House in Salisbury before the polls was that the Governor would not necessarily ask the leader of the party winning the largest number of seats to form or explore the possibilities of forming a government, but would himself decide after the elections which leader had the best chance of forming a government that would command the widest support in the new parliament — an approach endorsed by Margaret Thatcher herself even while the polling was taking place. And even when it was clear that ZANU-PF had secured a majority on its own, the British foreign secretary pointedly observed that "congratulations [to Robert Mugabe] are only due when we see that the outcome of this has been a free and fair multi-racial society operating in peaceful conditions. I don't think that success has been achieved until we see what happens in the new Zimbabwe".

Here is perhaps an indication of the shape of things to come in Zimbabwe. Colonial habits truly die hard. Britain, in other words, is expecting the new administration in Zimbabwe to 'behave itself', no doubt conforming to the ideal British notion of what constitutes "a free and fair multi-racial society" — its legacy in southern Africa until a small band of horrible blackies came to disrupt and, in the process, corrupt the majority of the nice blackies who were so happy toiling away for their white masters — before it can set its mark of approval on the new regime. It is astonishing that the British leaders seem to be unaware of, or at least unwilling to face, the fact that a guerilla war lasting over seven years in which more than 20,000 people have died, and more than 200,000 people have been rendered homeless had to be waged and won before the settler regime and its principal backer, Britain, could be forced to negotiate a transfer of power to the majority of the people of the territory.

It is against this background of prolonged guerilla war, and lingering hopes among the settlers and their kith and kin in Britain of a restoration, in substance if not in form, that one has to view the rather unusual gesture of the leader of the ZANU-PF — his invitation to his colleague in the guerilla war and his opponent in the recent elections, Joshua Nkomo (considered by Britain as the lesser evil, in the event of their great white hope turning out to be a dead loss) to join the government. Indeed, Robert Mugabe has gone further and has indicated that he would welcome participation in his government from the white minority as well. He has also asked the commander of the Rhodesian army to continue in his job and help in the difficult and delicate task of integrating the various guerilla units into a single Zimbabwean army. Though land redistribution was a key element of the election manifesto and indeed, of the guerilla struggle itself, the ZANU-PF leader has for the present decided to underplay it. His government would concentrate not on expropriation of white farmed land, but on bringing under cultivation the large areas of unutilised and underutilised land appropriated by the whites under the policy of 'equitable distribution' of the 1969 Land Tenure Act — the 3 lakh whites and the 70 lakh blacks being allotted 'equal', though not equally fertile, areas for cultivation.

Indeed, apart from the land question, which the ZANU-PF leaders have to tackle sooner than later if they have to retain the loyalty and support of their followers and justify the immense sufferings and sacrifices made by them in the cruel war, there are other areas where too any positive action taken by the new government will, by definition, provoke white opposition and stir British indignation on the assaults upon a "free and fair multi-racial society". For instance, the disparity between white and black average earnings (ten to one) has to be corrected. While the businessmen in the cities might welcome and co-operate with the new government, resistance to the new order would be more likely among the white farmers since any step in the direction of increases in farm wages or changes in ownership patterns — not to speak of genuine land reforms — is sure to evoke violent reaction from among the agricultural gentry. The most urgent task in this regard would be the amendment of the Land Tenure Act of 1969 and of its amended version of 1977 to ensure that future allocation of land resources would be truly equitable and reflect the relative numerical strength of various groups.

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (16.2.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-
All Commodities	1000	228.2	2.0	23.8	19.7	−0.1	5.1	2.1	−
Primary Articles	417	212.8	0.5	19.4	17.7	−1.4	9.7	0.8	−
Food Articles	298	186.2	−0.1	11.9	9.9	−0.7	11.7	−5.1	−
Non-Food Articles	106	205.8	2.3	19.1	18.3	−4.6	6.1	19.7	−1
Fuel, Power, Light and Lubricants	85	295.5	0.1	23.0	14.4	4.4	1.4	5.3	1
Manufactured Products	499	229.6	3.5	26.9	22.7	0.1	2.2	2.3	

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13

Money and Banking	Unit	Latest Week (15.2.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-7
Money Supply (M_1)	Rs crores	24,605	336 (1.4)	3,475 (16.4)	2,747 (12.6)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,23 (10.
Net Bank Credit to Government	Rs crores	18,395	402	3,739	3,003	1,921	2,449	910	55
Bank Credit to Commercial Sector	Rs crores	29,713	199	4,685	4,380	4,111	2,718	3,111	2,72
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,379	−140	149	−40	974	1,991	1,378	65
Deposits of Scheduled Commercial Banks (latest week 22.2.80)	Rs crores	31,237	162 (0.5)	4,909 (18.6)	4,362 (16.2)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,32 (19.

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	146.3[9]	150.6	147.4	2.2	6.8	5.3	9.8	4.7
Basic Industries **	32.28	158.4[6]	169.6	161.2	5.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	155.4[6]	165.5	156.4	5.8	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	132.7[6]	139.1	131.7	5.6	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	119.5[6]	138.2	143.4	−3.6	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	159.6[6]	159.7	145.4	9.8	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	114.6[6]	135.6	143.2	−5.3	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Dec 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	417	4,372 (11.8)	3,909	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	481	5,629 (19.9)	4,694	6,764 (12.3)	6,025 (18.7)	5,074 (3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−64	−1,257	−785	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,83 (2.6
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,17 (−15.8
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	39 (−23.3

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period.

Management Tightening Yields Results

Hansavivek

ALLIS INDIA's accounts for 1978-79 clude assets, liabilities and profits of alli Chemicals (the former wholly vned subsidiary which has since been nalgamated with it with effect from ptember 1, 1978) and are, therefore, ot strictly comparable with those of e previous year. But the profit gures reflect a substantial improvement. Although net sales have risen odestly from Rs 140.05 crores to s 150.23 crores, gross profit has ubled from Rs 2.42 crores to s 4.88 crores, demonstrating a strong surge of gross margins. Net profit, owever, is about equal to last year's ecause tax liability has taken away much as Rs 2.36 crores against nil eviously. The maintained divident 15 per cent is covered 2.54 times gainst 2.58 times. The management tributes these results to the contiued improvement in trading condions, restricted use of working capital d increased levels of production. ther steps have been taken to further improve the company's profitability and achieve sustained growth in the future.

A comparative study of the pharmaceutical division, which has been showing decline in profitability over a period of years, revealed that the division was run at a level of manpower well above the industry norms. Accordingly, a voluntary retirement scheme was implemented which has entailed an expenditure of Rs 116 lakhs. It is believed that this expenditure would be more than recouped by the twin benefits of better productivity and reduction in overheads. Another important step is the modernisation of the factories and the negotiation of a mutually satisfactory productivity settlement with the unions. The plans also provide for a major investment in the manufacture of bulk drugs, subject to various government approvals. The company has got a 'letter of intent' to manufacture 300 tonnes of carbofuran, a basic pesticidal chemical. Negotiations are in progress with foreign licensors for the acquisition of the latest technology. The company has also obtained permission to expand its Sumithion plant from 100 tonnes to 300 tonnes, which is under implementation. In addition, it has applied for establishing various other manufacturing facilities to meet the growing demand for more and varied pesticides.

Among other divisions, the engineering division has exceeded the objective set before it to consolidate and improve upon the gains established in the previous year. The strike in Ralliwolf during June to August resulted in a reduced turnover and contribution. But manufacturing has since recommenced and this activity should find reflection in the current year's accounts. The fertilisers and pesticides division again had a record year and continued to be the mainstay of the company's operations. The merchanting division made a useful countribution to the company's results, even though cotton and tanning materials were depressed due to market conditions.

he Week's Companies (Rs Lakhs)

	Rallis India		Tata Mills		Crescent Dyes		East Anglia Plastics	
	Latest Year 31-8-79	Last Year 31-8-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-6-79	Last Year 30-6-78
aid-up Capital	571	571	150	150	240	240	182	182
eserves	604	456	84	84	141	134	6	7
orrowings	1846	1626	795	683	277	202	135	208
of which Term borrowings	107	108	266	178	35	35	—	—
ross fixed assets	981	839	1088	1049	290	289	165	192
et fixed assets	750	617	474	432	105	144	86	114
nvestments	136	164	8	5	40	40	—	—
urrent liabilities	2716	2404	559	577	613	480	168	109
urrent assets	4850	4276	975	894	1125	901	175	164
Stocks	2404	1864	667	669	504	397	114	118
Book debts	2206	2094	297	207	575	456	54	42
et sales	15023	14005	2726	2668	4062	3125	449	341
ther income	241	154	31	22	56	52	32	5
aw material costs	11759	11403	757	857	3442	2621	337	268
ages	1108	838	658	603	256	232	31	29
nterest	270	326	150	159	38	43	22	42
ross profit(+)/loss(—)	488	242	74	94	164	117	4	—60
epreciation provision	53	42	40	41	12	12	6	7
ax provision	236	—	—	—	96	63	—	—
et profit(+)/loss(—)	199	200	34	53	56	42	—2	—67
evelopment rebate provision	7	2	—	—	—	—	—	—
ransfer to reserves	114	117	—	—	14	8	—	—
ividend								
Amount	P 4 E 74	7 74	P 4 E —	11 —	P — E 42	— 34	P — E —	— —
Rate (per cent)	P 6.66 E 15	6.66 15	P 9.50 E —	9.50 —	P — E17.50	— 15.70	P — E —	— —
Cover (times)	2.54	2.58	—	—	1.33	1.23	—	—
atios (per cent)								
ross profit/sales	3.26	1.72	2.71	3.52	4.04	3.74	0.90	—
et profit/capital employed	16.93	19.47	—	—	14.70	11.23	—	—
nventories/sales	16.00	13.31	24.47	25.07	12.41	12.73	25.39	34.60
Vages/sales	7.37	5.98	24.13	22.60	6.30	7.42	6.90	8.50

TATA MILLS has earned a lower gross profit of Rs 74 lakhs for 1978-79 against Rs 94 lakhs previously, despite marginally higher sales of Rs 27.26 crores against Rs 26.68 crores. Net profit is also lower at Rs 34 lakhs (Rs 53 lakhs). After providing Rs 4 lakhs for payment of preference dividend, the balance of profit has been utilised to reduce the accumulated deficit to Rs 1.31 crores. The results could have been substantially better but for shortage of electric power, increases in wage cost and prices of colours, chemicals, stores and oil-based products, and shortage of working capital. The company has finalised a development package loan of Rs 3.5 crores with the public sector financial institutions. This will enable the company to carry out its programme for modernisation of plant and equipment. However, funds for working capital continue to be difficult. Commenting on future prospects, the chairman, Naval H Tata, says that the company's results in the last two years, though not impressive, have been encouraging. He hopes that the company will give a good account of itself if no further "fiscal shocks" are provided by the government.

CRESCENT DYES AND CHEMICALS has fared well during 1978-79 with higher profits resulting from improved sales of the dyes group of products and overall trading activity. Production at Sewri was satisfactory despite constraints on availability of power and some important raw materials. Production of polythene extrusion products was in line with the sales demand which was depressed due to labour problems experienced by major customers. Although tax liability claimed more, net profit was higher at Rs 56 lakhs (Rs 42 lakhs) and dividend raised from 15.7 per cent to 17.5 per cent was covered 1.33 times (1.23 times). The company is seeking a 'letter of intent' to set up a plant for manufacture of 2,500 tonnes of methyl chlorosilanes with facilities for partial conversion to silicone intermediates and selected finished products. Chlorosilanes are the basic feedstocks for 'silicones' which are organo-silicon compounds, finding applications in a number of key industries, for example, softening/water repelling agent in the finishing of textile and leather goods, water proofing of masonry, electrical insulation, encapsulation of electronic components, special rubber goods withstanding extreme temperature conditions, special lubricants, release agent in the manufacture of moulded rubber goods such as tyres, anti-foams in chemical processing, anti-flatulent additive in pharmaceutical preparation, anti-sticking agent in adhesive papers, sealants, bonding agents and numerous other forms. Methyl chlorosilanes and intermediates are at present imported and the company will be the first to manufacture these basic raw materials. The know-how will be provided by Imperial Chemical Industries, UK. The plant is proposed to be set up at Ennore near Madras.

EAST ANGLIA PLASTICS has shown better working results for 1978-79 with a gross profit of Rs 4 lakhs against a trading loss of Rs 60 lakhs in the previous year following higher sales of Rs 4.49 crores against Rs 3.41 crores. After depreciation, there is a net loss of Rs 2 lakhs. This has raised the accumulated deficit to Rs 2.30 crores to stand against a share capital of Rs 1.82 crores and reserves of Rs 6 lakhs. Production of phthalate plasticisers increased by 20 per cent over the previous year, but the management is considering production of other chemicals at the plant in view of the company's dependence on imported alcohols and the worldwide shortage thereof. Production of PVC compounds marginally increased and that of cellulose acetate moulding powder was steady. The company is negotiating with a major manufacturer of cellulose acetate flakes for processing of these into powder. The company abandoned the programme for manufacture of propylene films due to the high incidence of excise duty. Recently it has taken successful trials of ABS plastic sheets, a new kind of plastic introduced in the country. The management expects bulk orders for processing these sheets. The leather export division has been closed down and its plant and machinery disposed of. The company's application for a term loan of Rs one crore has been turned down by IDBI. The diversification project could not, therefore, be implemented. The company's building at Camac Street in Calcutta has been sold to improve the liquidity position and the registered office shifted to the factory.

HINDUSTAN LEVER has established an all-time new record by nearly doubling its exports from Rs 17 crores in 1978 to over Rs 32 crores in 1979. This has placed the company among the country's top four export in the private sector. The con international connections (t Unilever), its research and de ment efforts, and its investmer high technology areas — specifica exports, have largely contribute this growth. The bulk of the pr today exported by the company those manufactured in its fac They include items like processe and fats, industrial chemicals, a feeds, soaps and detergents, and preparations etc. Together, items account for a little over crores of exports in 1979. Th mainder of the export earnings from goods manufactured by the parties in the small-scale sector.

The company's single largest e in 1979 was its own product, proc sal derivatives, manufactured i plant at Bombay. This product earned Rs 10 crores in foreign change. Here the major contribu of Hindustan Lever has been dev ing a branded product through R effort as a cocoa butter subst which has enabled it to obtain a higher value-added product — its realisation being more than doubl the sal oil prices. Nearly 43,000 sq miles in Orissa, Madhya Pradesh Assam are under sal forests. fallen seeds yield 14-16 per greenish yellow fat, of which potential is estimated at 700, tonnes.

For the last two years, the comp has been the largest exporter of os and di-calcium phosphate. In 197 exported these chemicals to the t of Rs 3 crores. This performance won the company the coveted spe export award from the Chemicals Allied Products Export Promot Council (CAPEXIL) for the year 19 79. Ossein manufactured by the co pany is of such high quality that it been accepted by reputed photograp film manufacturers such as Eastm Kodak in the US and many others Japan.

Pears Soap, a high quality produ made by the company is being sold the Australian markets. Soon entire demand for Pears Soap in t country would be met from the co pany's plant in Bombay. Similar Dalda, a household name in the van pati market in India, is being export to Middle East countries, obtaining premium as a result of the compan quality and goodwill amongst t population living there.

The Crisis in Politics

Romesh Thapar

WITH the whole of the North under presidential rule (bureaucratic fiat from the Centre would be a more appropriate description!), and Haryana living it up under a bunch of defectors, we are looking at the recent bye-election results as pointers to what the Congress(I) expects from the contest. If Election Commissioner Shakdher has pushed the polling date into June because he cannot get his defective rolls ready in time, he will have to perform later in June because astrological forecasts dictate this for "the leader".

Apparently, these months are unfavourable astrologically to the wielders of power. That's probably why many assumed that low polling in the bye-elections — down to less than 30 per cent in places! — would spell complications for the Congress(I). But the Opposition was suffering the fate reserved for the ruling party. It is really time for those still determined to fight for a democratic, federal India to develop a political thrust in their campaigning — and an alternative scenario of growth and advance which makes sense to the people. It will not do to have the pathetic pukings of Jagjivan Ram as decoration to an electoral battle. Enough is enough.

Clearly, throughout the country the voting strength of the parties who once constituted the Janata has been numbed by the bickerings and tinkerings of the top leadership. The people, despite their fears of Congress(I) tendencies, are not prepared so far to trust the constituents of the former Janata party. This is an extremely serious matter for the political future of India and has a profound bearing on the efforts being made to forge a untied front against the authoritarian style of Indira Gandhi and the White Shirts of the youth wing.

Only the CPI(M) is able to present itself as a counter, even though its democratic pretensions are doubtful and its record of handling knotty problems is patchy. But voters are obviously seeing in the CPI(M) a serious formation interested in grappling with long-neglected problems — and what's more, free of the familiar corruption now associated with every gang of transient ministers. Demoralisation with the so-called liberal parties is certainly creating a swing in the direction of centres of Marxist activity. The experience of Bengal and Kerala could begin to spread.

Acharya Kripalani's despair over the state of Indian politics, so movingly expressed in Bombay, will not end until a collective leadership arises not merely to contest elections but to present a solidly worked time-bound programme for the reform and restructuring of the political/economic system. The impression seems to be general that this will not happen until the parties of the Left, and particularly the CPI(M), clean out their ideological cobwebs. Perhaps, this is asking too much, for the confusion on the Left is considerable.

The CPI(M), which now enjoys fairly consolidated power in major areas of the East and South, and is also acknowledged as the dominant force in the trade unions throughout the country, is riven with familiar senile factions at the state level. At its central headquarters, suspicions persist about *coups* and cabals destroying the party's "inner democracy". This is not a healthy state of affairs at the best of times let alone when efforts are under way to heal old factional wounds and to build communist unity.

Unity moves among communists are tenuous in the most normal of times, but there can be no rallying of a divided and confused people without the ideological clarification which results from unity. The incapacity of the Indian communists to lead is rooted in their disunity, their bandwagonism and their constant willingness to be guided by the national interests of the Soviet Union. Apart from placing the communists outside the mainstream of national thinking, these characteristics have lost them the political respect and dignity that normally accrues after decades of arduous and unremitting struggle in the interests of the working people. The pathetic example of aged S A Dange, and his continuing interventions on behalf of Indira Gandhi, is symbolic of the whirlpool within which communism finds itself in India.

Is there enough realism and good sense in the Left to persuade it to move out of its rigid, sectarian boundaries and become the rallying point of the broad democratic sentiment of the Indian people? It will call for both organisational and philosophical reorientation — and not of a temporary, opportunist character as is so often the case. Actually, it will not be long before Indian Communism is presented with this choice. The decision it takes will settle its fate in the coming decades. Already, Sanjay Gandhi's White Shirts are determined to come to grips with the ruling cadres in Bengal and Kerala. The more sectarian the communists are, the more vulnerable.

Three "massive mandates" — 1971, 1977 and, now, 1980 — only indicate a desperate search for a government that works. Working capacity will not emerge from "dynamic" individuals, but from a consensus on a programme that moves this sub-continent out of its present paralysis. Statistics show built-in capacities which we are not maintaining, utilising or expanding. Too many populist cliches hold our political leadership in a kind of mesmerised trance. These will have to be broken by a determined group of policy makers prepared to be unpopular. There don't seem to be any on the horizon.

Of course, a theory is going the rounds these days in the Capital which makes a strange kind of sense. It is argued that the half-educated, money-making simpletons who are asserting their presence in political and economic life may well be the ones who will assault the citadels of populist orthodoxy — of course, very simpleton-like, and certainly without any idea of the consequences which will flow from their unco-ordinated pragmatism! That's the kind of mood we are beginning to highlight, looking for simple models and simple politicians who do not understand the word "complexity" or who are just not bothered by it. Maybe, we are on the edge of launching the slogan: Simple is Simple. It's, after all, a leap year ...

February 29

Polychem

POLYCHEM expects to complete its vinyl acetate monomer plant by the end of 1981. The foundation stone laying ceremony of the project, estimated to cost Rs 12 crores, was recently performed by the vice-chairman, Ambalal Kilachand, at Nira near Poona.

dbc development banking centre

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For Junior Faculty, a minimum of 5 years and for Research Associate, a minimum of 4 years experience as above or in a training institute specialised in training in industrial financing or in entrepreneurship development, organisational development and applied behavioural science.

For Research Assistant a minimum of 2 years experience in the areas mentioned above, teaching background and/or research experience. Persons with a background of working in commercial and development banks, research organisations and academic institutions will be given preference.

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For Position III:	450-30-720-35-790-40-910

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Prescribed application forms (obtainable by sending a self-addressed stamped envelop) and the cover superscribed "Position in DBC" should reach the Secretary, Development Banking Centre (M.D.I.), Jeevan Tara Building, 1st Floor, Gate No. 3, 5 Parliament Street, New Delhi — 110001 within 4 weeks from the date of this publication.

THE ECONOMY

Saving-Investment Conundrums

Charvaka

THE Central Statistical Organisation (CSO) has at last released its quick estimates of national product, saving and capital formation for 1978-79, though its White Paper for the previous year, 1977-78, is yet to be available in print. At a time when many contradictory developments are taking place in the Indian economy, the ready and quick availability of such data in more disaggregated form should be of great help for students of current economic affairs. In the absence of many details which are generally contained in the White Paper, no definite conclusions could be drawn from the quick estimates about the directions in which the Indian economy is moving.

Let us take the instance of the estimates of domestic saving and investment. Both the Reserve Bank of India and the CSO — and on the strength of their estimates, now the Planning Commission — have of late made an upward revision of the size of their estimates of saving and investment. Referring to the gross saving to gross national product (GNP) ratio of such a high level as 22.3 per cent in 1977-78, the Planning Commission in its Revised Draft Sixth Five-Year Plan, 1978-83, recently released, has said that "this is comparable with the ratio which is usually achieved only in middle-income and high-income industrialised countries" (p 34). This is curious because one does not see economic activity of any comparable nature and tempo in India. This calls for a detailed examination of the character of the saving and capital formation estimates for India.

Three Separate Concepts

As one attempts such an examination based on the existing data, one comes across a series of conceptual and estimational discrepancies as between the CSO, the RBI and the Planning Commission — the three agencies which put out the relevant estimates. To identify a few such differences, first, the CSO relates the estimates of domestic capital formation and domestic saving to domestic product at market prices (gross and net, separately) and thus presents saving and investment ratios in gross and net terms separately. On the other hand, the RBI presents these ratios only in net terms (i e, net of 'depreciation') and also relates its estimates of net domestic saving and net investment only to net national product (NNP) at market prices. Finally, the Planning Commission prefers to use the figures of gross domestic saving and gross domestic investment and to relate them to gross national product (GNP) at market prices.

Thus, we have the three institutions using three separate concepts of national income as the base for comparison: GDP and NDP at market prices by CSO; NNP at market prices by RBI; and GNP at market prices by the Planning Commission. Could not these official institutions come together, sort out the conceptual and analytical issues involved, and introduce some uniformity in the use of these concepts? Even though these conceptual differences do not give rise to any vast differences in the saving and investment ratios, uniformity is nevertheless needed for quick and constant review of performance in this respect and also because the ratios are sensitive to the size of national income used. For instance, the RBI has painstakingly produced for 1978-79 net saving and investment ratios of 20 per cent and 20.2 per cent, respectively, whereas the CSO has estimated for the same year net ratios of 19.3 per cent and 19.4 per cent, respectively (the former being related to NNP and the latter to NDP).

Analytically, the most appropriate concept that should be used for the purpose in hand relates to GNP and NNP at market prices rather than GDP and NDP at market prices, for the domestic saving achieved in a given year is from out of the national product, i e, inclusive of the factor income earned from abroad, if in surplus, or net of the factor income remitted abroad, if in deficit (the latter is the case with India). Hence, there is the compelling reason for the CSO to fall in line with the RBI and the Planning Commission to present the ratios in terms of NNP and GNP at market prices rather than in relation to NDP and GDP at market prices.

Likewise, there is a strong case for the RBI to present two sets of saving and investment ratios. In addition to the existing ratios of net saving and investment presented in relation to NNP at market prices, the RBI should also present estimates of gross saving and gross investment in relation to gross national product (GNP) at market prices. In doing so, however, the RBI should recognise the fact that the actual depreciation provisions made by the corporate bodies in both public and private sectors are far in excess of the actual expenditures on renewals and replacements and the balance of the depreciation provisions is available for financing fresh investment. It appears that this second conceptual lacuna is also to be found in the CSO's data on saving and capital formation. Both for the private corporate sector and for government companies and statutory corporations, the CSO uses the depreciation provisions as provided for in their profit and loss accounts, which are obviously a gross exaggeration of the actual depreciation of physical assets. Admittedly, the CSO does not provide either for capital consumption (i e, actual replacements and renewals) or for even 'depreciation provisions' in respect of the general government administration. In the case of some of the departmental enterprises like the railways and P and T, the net saving is derived from gross saving by deducting expenditures on renewals and replacements; for other departmental undertakings, the figures of 'depreciation provisions' are used as in the case of non-departmental undertakings. For estimating the investible funds available for Plan financing, the Planning Commission takes uniformly, and rightly the excess of depreciation provision over the expenditures on renewals and replacements as part of net savings (and net investment).

A third conceptual difference between the CSO and the RBI relates to the treatment of retained earnings and non-cash inflow of the foreign-controlled rupee companies and net transactions on account of the branches of foreign companies. While the RBI takes all of these as part of the inflow of foreign resources (the bulk of it comprising net current account deficit on balance of payments excluding net official transfer payments), the CSO includes them under the private corporate sector. Conceptually, it would be more appropriate to include them, as the CSO does, under the private corporate sector on the princi-

ple of the end-use of the funds so generated. It is true that net balances in respect of branches of foreign companies entirely belong to the foreign principals and hence should be included under the 'inflow of foreign resources', but now the branches, i e, those that have opted to remain in India, have all been Indianised. Technically, from the viewpoint of a world balance sheet, it is true that in respect of such companies (which were erstwhile branches) and the foreign-controlled rupee companies, the retained earnings obtained in India should be apportioned between foreign shareholders and domestic shareholders, the formers' share forming a part of 'inflow of foreign resources'. Concurrently, the similar savings of Indian companies operating abroad will have to be included in India's domestic saving. In this respect, as the CSO has admitted, the relevant data on Indian companies operating abroad are inseparable from the balance sheet of domestic companies in any case, since the saving of branches of Indian companies is already included under domestic saving, the estimate of national income thus arrived at would be conceptually acceptable to them.

But this is too technical a view. For the foreign companies operating in India, their retained earnings should obviously be taken as part of domestic savings irrespective of the technical position, because from the viewpoint of the estimation of saving and investment, the concept of ownership of net worth is obviously not relevant; what is relevant is whether the savings (or retained earnings) generated are intended for domestic investment. From this point of view, it is desirable that the retained earnings of all foreign companies operating in India are not treated as a part of 'inflow of foreign resources'. Likewise, it is necessary to obtain separate information on the retained earnings of Indian companies to the extent of their operations abroad.

How Credible?

The most noteworthy aspect of the CSO's recent estimates of national aggregates insofar as they relate to a review of the recent trends in the Indian economy, pertain to the estimation of saving and investment ratios. According to these estimates, the ratio of gross saving to GDP at market prices steadily rose from 20.6 per cent in 1975-76 to 23.9 per cent in 1978-79 and that of gross investment to GDP from 20.5 per cent to 24.1 per cent (using CSO's data as published). In the intervening years of 1976-77 and 1977-78, the saving ratio rose at a faster rate than the capital formation ratio, thus resulting in excess of domestic saving over domestic investment. In 1976-77, the excess worked out to Rs 1,309 crores (or 1.6 per cent of NDP at market prices at the saving ratio of 22.9 per cent and investment ratio of 21.3 per cent) and in 1977-78, to Rs 528 crores (or 0.6 per cent, i e, 22.9 per cent *minus* 22.3 per cent). Excepting these quantitative as well as qualitative differences in individual years, what strikes us the most is the high and rising levels of saving and investment ratios since 1975-76; in particular, the sharp increases in the ratios achieved in 1978-79 stand out. The gross saving ratio has increased from 22.9 per cent in 1977-78 to 23.9 per cent in 1978-79 and the gross investment ratio from 22.3 per cent to 24.1 per cent.

Commenting on this high level of domestic saving achieved in 1977-78 (i e, the base year of the Sixth Five-Year Plan), the Planning Commission says: "It is apparent that the country has achieved a high saving rate despite its low per capita income" (see Revised Draft Sixth Five-Year Plan, p 77). The Commission, in other words, seems to have uncritically accepted the estimates of domestic saving made by the CSO and the RBI. However, a series of doubts arise both in regard to the methodology of estimation as well as the character of saving itself.

Here, it must be conceded at once that a very studied and critical comment on the methodology of saving and investment estimates is not possible as the CSO has not published the relevant details in any of its publications except two, namely, Estimates of Capital Formation in India: 1960-61 to 1965-66, and Estimates of Saving in India: 1960-61 to 1965-66, both of which were published as early as in 1969. Thereafter, significant changes have been effected in the CSO's estimates of saving and investment and only cursory references to these changes have been made in its recent White Papers.

The most significant changes effected, as it is widely known, relate to the estimation of the household sector's saving in the form of physical assets in which in fact the almost entire upward revision is noticed. Because of this, the Draft Sixth Plan had to revise the saving estimates radically. According to the Plan, "On the basis of latest RBI and CSO data, the Plan estimate of households' ph assets formation has had to be r by nearly 50 per cent from Rs 3 crores to Rs 54,215 crores" (p None of the CSO publications reasons for this substantial up revision. On the other hand Revised Sixth Plan document pro some clues in this respect. It "This is on account of (i) inclusio 'own account labour inputs', and upward revision of estimates in household savings in the form of p cal assets (irrigation structures, and fishery equipment, village in tries equipment, transport equipm etc)" (p 11). It is obvious that the explanations should be in sup of the upward estimates of house savings in the form of physical as Elsewhere, the Planning Commis itself writes that "they [itemised e mates of household saving] indi that the higher estimate of house saving is produced by an upw revision of physical capital format by households, including the crea of assets by own account phys labour, by Rs 17,415 crores" (p 79)

Of about 3.3 percentage points crease in the rate of gross saving fr 20.7 per cent of GNP at market pri in 1975-76 to 24 per cent in 1978- more than 2.6 percentage points crease took place in the estimates saving in the households' physi assets formation from 8.7 per cent 11.3 per cent (also as percentage GNP at market prices). In absol terms, while the level of aggregate gr domestic saving increased by 51.3 p cent from Rs 15,246 crores in 1975- to Rs 23,067 crores during the sa three-year period, the household saving in the form of physical asse shot up by 69.2 per cent from Rs 6,3 crores to Rs 10,815 crores.

Certain details provided in t CSO's quick estimates for 1978- enlighten us in regard to the natu of the revisions effected. Accordi to these details, among the componen of household assets, gross assets cre ted through 'construction' increase by 27.1 per cent from Rs 4,479 cror in 1975-76 to Rs 5,692 crores in 197 79, but those created through 'mach nery and equipment' shot up by 160 per cent from Rs 1,436 crores t Rs 3,735 crores and 'change in stock also galloped by 192 per cent fro Rs 475 crores to Rs 1,388 crores. I the absence of details on the methodo logy and sources of data, it is difficul

o comment on these details, but it is lear that a significant proportion of ivestment in recent years has been n the form of better coverage of data n regard to 'changes in stocks'. How-ver, to what extent the increase con-sts of addititonal stocks and to what xtent it is really based on better overage of data on the outstandings f inventories now (without the neces-ary changes for base-level inventories) s difficult to discern without those ller details.

In the estimation of household sector aving (and investment) in the form of machinery and equipment', both the ommodity flow method and expendi-ure methods are involved. This esti-nation for the household sector is nitially a derived one, i e, residual fter deducting the investments of ublic sector and private corporate ector from the total arrived at on the asis of the commodity flow approach. t is very likely that this has brought bout a large upward revision in the stimation of direct capital formation y the household sector, which in turn as been used as savings of the house-olds sector in the form of physical ssets. It is also inclusive of assets in he form of 'changes in stocks' men-tioned earlier. Thus, there is a cir-ular reasoning which casts doubts on he whole estimation.

'Errors and Omissions'

The saving estimates are again used to arrive at the figures of "errors and omissions", which have also tended to increase the capital formation esti-mates. These "errors and omissions" arise from the process of reconciliation of independent estimates of saving and capital formation. If estimates of domestic saving are lower than the estimates of domestic capital formation (net of foreign inflow), the latter are adjusted downwards to that extent of 'errors and omissions'. On the other hand, if the domestic savings are higher than capital formation (net of foreign inflow), the latter are corres-pondingly raised.

Interestingly, till 1976-77 the amount of 'errors and omissions' had always been negative and large. That is, saving estimates had been smaller than capital formation estimates (adjusted for foreign inflow) and hence, the in-dependent estimates of capital forma-tion were being revised downwards with the negative figures of 'errors and omissions' (which had amounted to — Rs 1,495 crores in 1975-76 and — Rs 1,178 crores in 1976-77). But, in the latest two years, 1977-78 and 1978-79, the 'errors and omissions' have been converted into positive figures of Rs 416 crores and Rs 1,064 crores, respectively, which involved an upward revision of the independent estimates of capital formation to the same extent. But, the higher estimates of savings for these two years were in fact on account of a large increase in the household sector's savings in the form of physical assets, particularly in 'machinery and equipment' and in 'change in stocks'. It is true that if those estimates have a firm basis, it could be said that the estimates so made, even with circular reasoning, are not open to question. But, the nature of the results give rise to many doubts with regard to the reliability of those estimates. If the CSO could publish occasionally fuller details of its esti-mates, these doubts could be dispelled.

JAMMU AND KASHMIR

Caste, Charisma and Regionalism

Balraj Puri

THE results of the Lok Sabha elections in Jammu and Kashmir did not follow the pattern of other parts of the country. Each of its five constituencies which went to the polls in January 1980 — polling in the sixth constituency of Ladakh has been post-poned due to bad weather — had a unique electoral experience.

Jammu-Poonch, for instance, was the only constituency where the national parties, Congress(I) and the Janata, clashed and where some national issues figured. In the adjoining Udhampur constituency, the only national party to contest was Congress (U). Its candidate Karan Singh was swept to victory by a regional upsurge against what was called Kashmiri domination over Jammu region. Though Congress (U) also contested another seat (Anantnag), its candidate Mohd Shaffi Qureshi, a former Union Minister, was a nominal contender. He got barely 17,000 votes, less than six per cent of the total votes polled. Here as well as in Baramulla the main opponents of the winning National Conference were local parties which banked on the remnant and dormant secessionist sentiments by accusing Sheikh Abdullah of bartering away Kashmir's freedom to Delhi. Finally, Srinagar constituency had the distinc-tion of returning the only uncontested candidate in the country. Though this was a unique feature in the current elections, it was in line with the elec-toral traditions of the state, starting with the 73 uncontested returns out of 75 constituencies in the first assembly poll in 1951.

If we take Ladakh into account, which would go to polls in June, its experience also would be equally dis-tinctive. In a constituency which used to be invariably represented in Parlia-ment and state cabinet by a Buddhist, the ruling party has put up a Muslim candidate, Kachu Habib Ullah. Rela-tions between Buddhists and Muslims, who are almost evenly balanced (51 and 49 per cent respectively) would be affected by the form the election campaign takes.

Thus the recent elections in the state have involved a complex inter-play of many factors, including ideo-logy, charisma of leaders like Indira Gandhi and Sheikh Abdullah, casteism, regional chauvinism, religion and sepa-ratism. No single party contested all the seats and predominant issue varied in each seat. If at all there was a common issue — though not exclusive — it was the personality of the Sheikh. Votes were sought for and against him in most of the contests. In the presti-gious constituency of Srinagar, for instance, it was the personality of the Chief Minister that forbade any serious rival to measure swords even with his son Farooq Abdullah, though power and resources of the ruling party and some manoeuvring by it also mattered.

The traditional rival of Abdullah in Srinagar town, Mirwaiz Maulvi Mohd Farooq, was somehow neutralised in the present elections. Though in his secessionist role, he maintained a more extremist posture than the Sheikh, he had lent his entire political force to fight the electoral battle of a national party like the Janata against the regional party of the Sheikh in the assembly elections of 1977. The debacle of the Janata party, which secured only 2 out of 42 seats in the Valley, made him as well as the national parties wiser this time. The Mirwaiz-Shia-Hindu coalition, which was the nucleus of the anti-Abdullah

front in Srinagar no longer had sufficient morale, coherence, resources and muscle power to stand the onslaught of the ruling National Conference. In any case, the Mirwaiz has ceased to be the extreme end of the secessionist spectrum in Kashmir; Abdullah-Mirwaiz polarisation, in fact, sublimated the secessionist sentiments of their followers within the national framework.

The Sheikh's position as the tallest leader in the whole state remained unscathed in the elections. No leader or party challenged his supremacy at the state level by contesting all the seats, singly or in combination with others. But the elections did signify regional and sub-regional revolts against the leadership of Qaid-e-Azam, as the Sheikh is respectfully called by his followers.

Apart from Mirwaiz's Awami Action Committee, which is influential in Srinagar town and which was neutralised in the elections, Mirza Mohd Afzal Beg, the closest lieutenant of the Sheikh for almost five decades, led the revolt in Anantnag constituency under the banner of Inqlabi National Conference, while the People's Conference of Abdul Ghani Lone, a former minister, challenged the ruling party in Baramula.

Beg proclaims with pride that his candidate Ali Mohd Naik, a former Deputy Speaker, lost by a margin of merely 80,000 votes which he takes as a measure of difference in his popularity and that of his erstwhile leader. That Naik got about one third of the total votes polled does indicate a substantial amount of dissent in the constituency. But it obviously is not a measure of Beg's stature in the Valley or in the state.

The performance of the People's Conference candidate Muzzafar Hussain in Baramula, who secured 28.48 per cent votes, was also not had in a state which has monolithic characteristics and where ruling party is used to many advantages.

Beg and Lone, no doubt, raised issues of more than sub-regional importance. They frankly played upon the sentiments of Kashmiri chauvinism and condemned Centre's domination over the state for which the Sheikh was held responsible.

But the opposition in Kashmir suffered from two serious limitations. First its three sub-regional leaders, Mirwaiz, Beg and Lone — of Srinagar, Anantnag and Baramula respectively — did not campaign for each other and could not therefore project themselves, singly or collectively as an alternative to the established symbol of Kashmir's identity, Sheikh Abdullah. Secondly they could not articulate local chauvinistic impulses into any tangible demand. Vague anti-Delhi and anti-Abdullah noises exhausted almost the entire secessionist potential in the Valley whereas Abdullah's personality, notwithstanding personal charges against him, and Article 370 of the Constitution were deemed by most people to be adequately tangible guarantees of preserving Kashmiri identity.

In Jammu region, elections reflected the known isolation of the ruling National Conference. It lost the battle royal in Udhampur, where the former Dogra prince Karan Singh defeated Abdullah's Finance Minister D D Thakur on essentially 'Jammu *versus* Kashmir' issue. The electoral battle seemed merely an extension of the four-month massive agitation in Jammu region in the winter of 1978-79 against the alleged discrimination against the region by the Kashmiri rulers.

The National Conference left the other constituency of the region, namely Jammu-Poonch, for the Congress (I) in return for its support in Udhampur mainly because it did not have a credible candidate and organisational base in Jammu-Poonch. The Congress (I) candidate G L Dogra, who had an almost unbroken innings in the state cabinet since Independence to 1975, trounced the sitting Janata candidate of Jana Sangh faction, Thakur Baldev Singh, by a margin of 1,33,258, a record in the state. By entrenching itself on the non-Jana Sangh ground, Congress (I) made National Conference further redundant in the area. Dogra not only distanced himself and his election campaign from Abdullah's men but in a subtle way also succeeded in projecting his party as the only viable alternative.

Thus while Abdullah is re-established as the authentic voice of regional patriotism of the Valley, his alienation in Jammu has become all the more eloquent. The elections further expose limitations of Jammu's personality and leadership.

That Karan Singh lost in five of the fifteen assembly segments in his parliamentary constituency and got only 53 per cent of the votes polled with the smallest margin of victory in the state shows that his personal sway over his own constituency is much less that of Abdullah's candidates in respective constituencies of the V Further while Abdullah still has a pockets of influence in Jammu re Karan Singh's influence in the V can only be called negative. M over, the ebullient Jammu lea writ did not run even in the o constituency of Jammu where he paigned for the Janata.

More than reflecting on the qu of the tallest regional leader of Jan the election campaign of Karan S reflected the sharp caste, religious linguistic diversity in the region contrast to the homogeniety of Valley. In his election campa Karan Singh had to go out of his to outgrow his image as a caste Hi leader to make a small dent in Muslim and Harijan vote banks of ruling party. Similarly in Jam Poonch, Congress (I), apart from ting traditional anti-Jana Sangh vo also cashed on Brahaman backl against the Rajput candidates of Congress (U)-Janata alliance. Brahaman-Muslim-Harijan (minus section of Chamars) coalition, cemen by the Congress (I) thus represen no less a crucial segment of Jamm personality than the alliance led Karan Singh which got just 41 per c of the votes polled in the two cons tuencies of Jammu region.

To sum up, the elections provid a non-secessionist outlet to the d content in the Valley, reiterated t regional character of the Natio Conference, underlined the absence any leadership with a uniform base all regions and communities of t state and finally exposed a schiz phrenic streak in the personalities Jammu and Ladakh.

Would dissent in Kashmir be co solidated as a constructive and dem cratising force or, by preventing legitimate expression, be forced, revert to secession or to an outlet fundamentalism? Would Kashm leadership try to end its alienation Jammu and Ladakh by sharing pow with their people through appropria institutional and constitutional arran ments and appropriate personaliti or would it use its religious ties wi in these regions to disrupt their reg nal identities? And would Jam and Ladakh throw up a genuine secular and composite leadership articulate common urges of all co munities within their respecti regions? These questions still w for answers.

EDUCATION

Primary Education: Problems and Purpose

Amiya Rao

WE have been criticising our system of education for the last eight decades and more, but have made little effort to bring about any fundamental changes in it, even after we attained independence. The failure is due to the neglect of the basis of a developing and expanding educational system — primary schools. Successive governments have been declaring that the percentage of literacy in the country is rising year after year; what they do not like to mention is that the number of illiterates is also rising. India had 213 million illiterates in 1951, 333 million in 1961 and 387 million in 1971. Inda's share of the world's illiterates rose from 45 per cent to 52 per cent in these twenty years. What is more alarming is that the number of illiterate children in the age-group 5-14 also rose in these decades. This distressing rise in juvenile illiteracy has been taking place despite the enormous increase in the money spent on education. Between 1950-51 and 1975-76, while India's population increased 1.4 times, total annual expenditure on education went up 17 times, per capita allocation for education 10 times and the total increase in enrolment in all the educational institutions together 3 times. If after all this illiteracy is increasing, it is obvious that the efforts at universalising primary education have been not merely inadequate but also ill-planned.

These unfortunate millions of illiterates either belong to what are known as the weaker sections or are those who stand below the poverty line. Their children attend — if at all they do — very poorly equipped schools established and managed by panchayats, municipalities or other local administrations. These are the schools which also account for the enormous number of drop-outs. While no reliable figures of annual drop-outs are available it is likely to be in the region of 60 per cent of enrolment. From Table 2 can be seen the progress of children from class I to class V of two schools picked out at random, but both located in poor localities in the Delhi Municipal Corporation area.

One of the principal causes of this wastage is poverty; poverty and, ultimately, the attitude of the upper strata of our society to the lowest. India spends about Rs 2,500 crores annually on education; but most of it goes to post-primary education right up to and into the university level, and benefit persons belonging to the top 30 per cent of the income groups. In 1972-73 the Government of Maharashtra spent per student per year Rs 235 on secondary education, Rs 773 on higher education, and Rs 4,500 for post graduate studies; on primary schools which are the only ones open to the children of the poor it spent Rs 106 per child per year — or 30 paisa per day. Even in Delhi the municipal primary schools in the poorest areas are in ragged tents, without lavatories, without drinking water, without a blackboard; in one, the corrugated sheet which serves as its compound wall also serves as a blackboard. This paper is about these schools and the children who attend them.

In one of the municipal primary schools which I visited in Delhi the teacher was going on with her lesson, while a girl was incessantly and inconsolably crying. When I asked the teacher, she said, "She just cries, for no reason; she does so everyday". I took the child aside and asked her why she was crying; and she replied in three significant words: "I am hungry". After the class was over I talked to the other children and found that most of them come to school after gulping down one single cup of tea and nothing else; and a hungry child can neither listen, nor learn.

This matter of the hungry child in the class has not received the attention it demands. The Kothari Commission made just two casual references to it; once it observed that the "educational possibilities of midday meals and snack are not utilised fully"; and again, while referring to school health services as of great importance the commission included 'school meals' in these services. The Review Committee which went into the curriculum of the ten year course refers to the need for "proper guide activities" in the field of physical education, in the absence of which, when children come to class III, "their body capacity is not sufficiently developed to undertake physical education".

The total number of children in Delhi municipal primary schools is about 4,60,000 and the number of working days in the year is about 200. In its revised budget for 1978-79, the corporation has provided for Rs 8 lakhs for expenditure on food items to be given to the children; this works out to 0.87 paisa per child per day.

One consequence of poverty is that a very large number of children between 6 and 14 years who should be at school are not. Poverty not merely discourages the child from going to school, it also inhibits his continuance in school. He performs poorly because of malnutrition, poor health and poor resistance; he develops complexes for lack of clothes to wear and lack of place to study; and if at the end of the first year at school he fails to make the grade, he finds no inducement to continue in the same class and develops an apathy to schooling. Freed from school, he roams the streets and gradually loses his moorings. Poverty, indifference of parents and bleakness at home push him into a life of delinquency which ultimately lands him in jail.

In 1974 the total number of juvenile offenders arrested under the Indian Penal Code or local and special laws was 1,40,639 and Delhi's share of this was 2,194. The number of children between 7 and 12 years who should have been at school but were in the hands of the police was 8,872 — 7,861 boys and 1,011 girls. Children between 12 and 16 years arrested by the police numbered over 20,000. A study of their socio-economic background has revealed that 73 per cent of juvenile delinquents belong to families with incomes less than Rs 150 per month; and another 20 per cent to families with monthly incomes between Rs 150 and Rs 500. Again, 47 per cent of these juvenile delinquents were illiterate and had never been to a school while another 32 per cent were drop-outs from primary schools. An encouraging feature in an otherwise appaling situation is that in states where literacy is high, crime among children is comparatively low; in Kerala where

TABLE 1: ILLITERATE CHILDREN IN INDIA

Age Group	Year	Illiterates (mn) M	F	P
5 — 9	1971	30.75	32.28	63.03
	1961	24.81	27.04	51.85
10 — 14	1971	14.68	19.97	34.65
	1961	11.98	16.49	28.47

Source: Census of India, 1961 and 1971.

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TABLE 2: PROGRESS OF CHILDREN FROM CLASS I TO CLASS V

ame of School	1973-74 Cl I		1974-75 Cl II		1975-76 Cl III		1976-77 Cl IV		1977-78 Cl V
arinagar Ashram II	151	→	108	→	77	→	52	→	45
atra Ashiran II	63	→	56	→	35	→	26	→	16

ource: School records.

:hool-enrolment rates among rural nd urban children of age-group 6 to 1 are 99.6 per cent and 94.1 per cent, iere were only 121 juvenile crimes nd no girl offenders. But the all-India ivenile crime figures are appalling; or between 1964 and 1974 the arrest f juveniles increased by 112.6 per cent nd of juvenile girls alone by 216.5 er cent.

In spite of the clear prohibition nposed by the Children Act under- ial children as well as vagrant child- en are sent to jail and are kept in he same barracks and even wards as ardened criminals. They remain in he jail for months on end, sometimes or several years. Most of them enter he jail as illiterates; and almost all ome out of the jail illiterate; for ithin the jail there are no arrange- nents for their schooling.

India has distinction of being one f the big employers of child labour. At the time of the 1971 census we ad a juvenile labour force of 10.75 million. By now it must have crossed he 11 million mark. Of this, over 0 per cent live and work in the vil- ages and most of them are illiterate or semi-literate. Grazing cattle or elping their parents in minor agri- cultural operations or doing casual obs for richer farmers, they are saving he wages or bringing home some cash. In towns and cities they do various obs in small factories, workshops, ea-shops, or dhabas, and a very large number of them work as household ervants. There are no minimum wages or these jobs; and if there is a pre- scribed minimum age, no one seems to worry about it. Girls of school- going age are specially needed at home or looking after the infants while the nother is busy doing household hores or is out working in the field or doing day-labour in urban or semi- urban centres. Creches, nursery sec- ions or balwadis attached to primary chools could bring some of these girls o school and help raise girls' enrol- nent in the primary classes; as recently as 1975-76 it was as low as 38.9 per ent of the total enrolment. But so ong as poverty is widespread, children will continue to work to add to the family's income and the only way to universalise primary education in a foreseeable future is to change the structure of our educational system.

The present system of formal educa- tion permits children to enter it at one point only; and it insists on full-time attendance. Both these features operate adversely in the case of the child of poor parents. It is therefore necessary to make the system flexible. First, there should be multiple-point entry to all primary schools; that is, admis- sion should be to Class I if the child is illiterate; and to an appropriate higher class if the child is literate. In addition, for those who find full-time school hours unsuitable, there should be provision for part-time non-formal schooling at convenient hours so that they can reach a standard comparable to Class V. In case of those who are not able to reach even such a standard, the goal should be to make them adequately literate and to have a fairly long follow up programme to ensure that they do not lapse into illiteracy. Small, well-stocked libraries of books chosen with discrimination which would interest students of vari- ous age-groups pursuing different vocations should be available to every- one going in for non-formal education.

The need for organising a country- wide movement for non-formal educa- tion can be understood when we look at the sheer size of the problem. According to estimates made in the Ministry of Education, schooling faci- lities will have to be available to 500 lakh children of age-group 6-14 by 1982-83. Considering the tardy pro- gress the states have made in spreading primary education during the last 28 years, one may assume that hundreds of lakhs of children will never enter a regular school; they will have to be non-formally taught in part-time classes by bands of enthusiastic and dedicated members of the public.

Schemes for non-formal education should cover not merely children of school-going age, but adults as well. If we are ever to take through the primary course a substantial propor- tion of our children of age-group 6-11, that will be only simultaneously with making literate at least one adult member of each household. A majority of our children come from homes where there is no literate person, not even a printed book.

A survey carried out by the Educa- tion Department of the Delhi Munici- pal Corporation has indicated that 35,332 children of primary school- going age living in Delhi do not go to school and of these 20,504 do not do so because of their parents' indif- ference. Any scheme for universal primary education, to be successful, needs the parents' co-operation. But the parent must be able to see that the child is learning not merely to read and write, but also to be useful to the society and to the family and will, after a while, begin to earn; the parent must see that the child is not being led up a blind alley. So a begin- ning has to be made in Class V, if not in Class IV itself, and some train- ing, however elementary, has to be given which will ultimately lead to a vocation or a trade.

To make primary education univer- sal, relevant and useful, not merely should there be basic structural changes in the formal system, but there has to be rethinking on the cur- ricula, syllabii and the text-books. From what I have seen in the Delhi primary schools, these changes are overdue. According to the official detailed time-bound syllabus (Pathya- kram Vibhajan) in Delhi the subjects to be taught in Class I are Hindi, environmental studies, arithmetic, general knowledge and science, art/ needlework, work experience, health and physical education and games. The number of books prescribed are: Class I: Hindi-2 books; Class II: Hindi-1 book; Arithmetic-1 book; Class III: Hindi-1 book, Mathematics-1 book, Science or Home Science-1 book and General knowledge-1 book; as the child goes up, the load of books be- comes heavier.

Apart from the number of text books, the content of the text books in use has no relevance to the way of life of a majority of the school children. For instance the lesson (at page 35 in Vigyan Part I) on what a good house is like — a well furnished sit- ting room, a study, a bedroom, a kitchen, a bathroom and a lavatory — is a cruel joke on a child who would consider himself fortunate if he could live in a one-room tenement. The entire series on Grih Vigyan has a

pronounced bias towards the upper classes of the society. Secondly, before learning the broad features of their own country, children need not spend their time learning about Canada, Congo or Argentina. For instance in a class which was doing a lesson on Argentina, very few could name the river in Delhi.

Primary education, especially in the earliest stages, should be imparted in the language which the child understands with the utmost ease. Attempts at literacy through another language, even one allied to the mother tongue, take longer to yield results and try the child's patience; they may lead to stagnation and dropping out. In large areas of Bihar and Rajasthan the spoken language is, in actual fact, very different from text-book Hindi. In Bihar the three spoken 'dialects', Bhojpuri, Maithili and Magadhi, account for 78,43,000, 49,83,000 and 28,18,000 respectively out of the state's total population of 4,64,55,000 as enumerated in the 1971 census. The medium of instruction in these tracts is Hindi, which children speaking any of these 'dialects' find difficult to understand. While there has been no detailed inquiry into the reasons why Bihar has one of the lowest primary school enrolment ratios (52.2 per cent) and one of the lowest literacy figures (19.94 per cent) this may be one of them. The other state similarly backward in enrolment (51.8 per cent) and literacy (19.07 per cent) is Rajasthan whose dialects spoken over large tracts have as little resemblance to Hindi as Maithili and Bhojpuri. If, therefore any state having similar language and dialect problem wishes to give a fillip to primary education, it should arrange that the medium of instruction in Classes I and II in areas speaking such dialects should be the dialect itself, though of course the script would be the script of the official language. This applies equally to literacy campaigns for adults.

Improvements in the standard of teaching in our primary schools will depend a good deal on the improvement in the lot of the teachers. In Delhi their salary scales are poor, and hours of work arduous; they are not covered by any medical or health scheme. Even after twenty-five years of service their *inter-se* seniority has not been determined, so that many have to retire without being considered for the selection grade. Teachers may be suspended for any length of time without being given any charge-sheet or transferred to schools far off from where they live, if they happen to displease the inspector or the assistant education officer or the local politician. The politician has a large say in their recruitment, promotion, posting and giving of awards. It is not always easy for the teacher to maintain his self-respect and dignity when he suffers from constant tension and has so many masters to please. Yet, these are the qualities which the children in the school must imbibe from their teachers if education has to have any meaning. This is the condition in the metropolis; it could not be different in the rural areas.

Here we come to the fundamental question which demands a considered answer. What is the purpose of primary education? Is it merely to help the child to go up the sequential ladder of our educational system? If so, it has very little meaning to the vast majority of our children who cannot proceed beyond Class V. The main purpose of universalising primary education is, obviously, to assist the child in becoming a rational being, to help him to improve his physical and intellectual environment. Since science teaching begins as early as in Class III, the child must learn and must be taught to learn to question and not to accept without questioning whatever offends ideas of secularism, equality and rationalism. In our society as it is today, these concepts are mouthed by a large number of people; but only a few think it necessary to question society's failure to observe or to follow them.

Let us take the question of sex discrimination. It begins quite early in our educational system. We have separate schools for little boys and little girls. If it is not permissible for boys and girls below twelve to mix, it must be even more dangerous for women and men teachers to mix. So, women teachers teach in girls' schools and men teachers in boys' schools; and men and women teachers belong to separate cadres. Thus boys and girls do not learn to mix socially. The complexes which thus arise are further deepened by the syllabus, the text-books and the trend of teaching.

In the text books it is always the girl or her mother who draws water from the well, lights the fire, cooks and serves the meal, washes dishes and clothes; the man does only the 'manly' jobs. The child is never taught that boys can do all the 'womanly' jobs as well as girls can, and that girls can do all the 'manly' jobs just as well as boys can. From Class III boys are taught science for whatever it is worth; girls are not — they are taught home science. Clearly sex discrimination in our primary schools arises from lack of rational attitudes in those who draw up our curricula and write our text-books. This lack of rationalism is confirmed by the 'warning note' which appears at the beginning of each text-book on home science; "Vegetarian students should not be encouraged to learn whatever facts about non-vegetarian food are mentioned anywhere in this book".

One of the problems for our schools is also the problem which faces the major part of our nation — that our myths and legends, our history and our religion have got so inextricably mixed up that each looks as if it is a part of the other and together they prevent the spread of rational thinking. To this problem the school can, as yet, hardly provide a solution; for the teacher himself is immersed in this mixture of myth, history and religion. But at the least, the text-books should not — nor need the teacher — describe myths as historical events.

Another difficulty arises in dealing with communal prejudices which colour teaching, especially, of history. The book *Hamari Dilli* used a text-book for Class III in the Delhi municipal primary schools has stories of Chandragupta, Vikramaditya, Harshavardhana and Rajendra Chola, none of whom ruled in Delhi; but there is nothing about those Mughal Emperors who ruled from this city, not even Shahjahan the creator of Delhi's architectural beauties.

Finally the text-books encourage a most unhealthy form of hero-worship and personality cult. Too many anniversaries of our great men are observed and too many adjectives and epithets are used to describe their qualities. The total effect is to place them on high pedestals, to make them larger than life. The child feels perpetually small compared to these heroes and this feeling is retained even in adulthood. The following are lines from a song taught in the Delhi Municipal Schools in 1976: Are we going to hear them once again?

A child that played only the other day
In the lap of his young Mother
Has grown into a man today:
A prophet greater than Gandhi,
A warrior braver than Nehru,
A leader abler than Lal,
He our Sanjay; and his Mother
Indiraji our great Prime Minister.

UNITED STATES

Ethnic Minorities and 1980 Census

Indu Vohra-Sahu

THE 1980 census in the United States, which begins on April 1, will mark the twentieth time in this nations history that Americans have counted themselves. The census will count approximately 222 million people comprising all residents of the United States, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Trust territories of the Pacific Islands.

There have been decennial censuses in the United States since 1790 in accordance with the decision of delegates to the Constitutional Convention in 1787 approving a constitutional requirement that every person in the nation be counted at least once every ten years. For the first hundred years, when the United States was essentially an agricultural society, the census was far from the massive operation it has become. The vital importance of accurate national statistics to the growing industrial nation came about by the turn of the century. Thus, the Census Bureau was permanently established in 1902, was made part of the Department of Commerce and Labour in 1903, and was assigned to the newly created Department of Commerce in 1913.

The dramatic changes that this society has undergone since 1790 in terms of technology, demographic characteristics, number of states, political organisation, life patterns and so on are duly reflected in the methods of census: the increased number of questions with wider scope, their modification from time to time, and the revolutionary technological changes from the use of ink-pen method to computer technology to data processing in 1980, befitting a post-industrial society. However, the constitutional purpose of the census remains unchanged: to provide the basis for fair apportionment among the states of seats in the House of Representatives.

Reapportionment of seats has taken place following every decennial census since 1790. While every state is entitled to send two Senators to Congress, the number of House seats from each state is determined by the state's total strength, each state being entitled to at least one Representative regardless of the population. Just as the population and number of states have increased in the past two centuries the number of Representatives has risen from 105 after the 1790 census to the curent 435 seats, the norm since 1912. Following the 1970 census, districts were drawn so that each Representative would serve about 435,000 constituents. However, population shifts during the past decade have resulted in wide variances in the current population of Congressional districts, and these shifts will be reflected in the adjustments made after the 1980 census in the 1982 elections. It is predicted that while California, Florida, and Texas may each gain two House seats as a result of increase in their population since 1970 and Arizona, Oregon, Tennessee, Utah, and Washington may gain one seat each, the population decrease may mean a loss of four seats to New York, two each to Illinois and Ohio, Pennsylvania and South Dakota may each lose one seat.

The uses found for census statistics have expanded tremendously over the years. Today, they provide the statistical foundations for hundreds of actions taken daily by public and private decision-makers around the country. Their results are vitally important not only in determining the representation of the states in the House of Representatives but also in redrawing of Congressional boundaries, and state and local redistricting; in determining the trends among the population, for instance, the ascertaining of the current trends of lowest population growth rate in the world, the mobility of the population, etc; in providing the basis for redistributing large amounts of funds (approximately, $ 50 billion) under various Federal programmes among states and communities. The 1980 census proposes to reveal not only the number of people, but their location, condition, income, activities, housing, population shifts by age, race, ethnic origin, etc. It claims to have a special focus on women and ethnic minorities in this country. Moreover, it would provide data on poverty, useful for allocating Federal funds. Surveys have shown little change in the nationwide number of poor during the 1970s, but there have been changes in their composition and geographic distribution.

The 1980 census has a special significance for the Asian/Pacific minorities in the United States.

The census has never achieved its 100 per cent goal so far. In the 1970 census, 97.5 per cent of the population was counted, with proportionately more non-whites than whites missed. The Asian/Pacific minorities are affected most because they have not only been undercounted but also underenumerated and erroneously or not at all classified. For instance, the only category Indians would fit into was labelled 'others', since there was neither an 'Indian' (which would have been confusing with the American Indians) nor 'Asian Indian' category. A recent practice had been to classify all South Asians as 'Caucasian/White', rather than as Asians. These categories were based neither on Anthropological divisions nor on a comprehensive list of skin colours. In the 1970 census there were only four categories of the heterogeneous Asian-American community — Chinese, Japanese, Koreans, and Filipinos.

The incomplete listing in census of Asian/Pacific communities carries several disadvantages for them. It means that states and cities with large Asian population would not be accorded the full politcal representation to which they were entitled. It also reduces the share of Asian/Pacific communities in the Federal programme funds, and deprives them of needed services such as bilingual and adult education, job training, health care, and much more.

The black movement for equality during the sixties had its influence on other minorities, too, including the Asian Americans. There began a demand for adequate enumeration and proper classification of Asian/Pacific communities. The efforts over the years yielded some result soon after the 1970 census when the Census Bureau launched its unprecedented efforts to obtain a complete count of Asian/Pacific Americans during the 1980 census. A special Minority Statistics programme was established, and the advise of minority/ethnic leaders and related organisations was sought to obtain a complete count of Black, Spanish-origin Americans, Asian/Pacific Island Americans, American Indians, Aleuts, and Eskimos. An Asian and Pacific Island American Advisory Committee was established to assist the Census Bureau in identifying the best ways to approach the census in Asian/Pacific communities.

Several suggestions were offered and some accepted during reviews of census planning. The changes, however, were mainly confined to modifying the questionnaire to get more reliable and needed information.

The racial enumeration and classification of Asian/Pacific communities in the census of 1980 is certainly a great improvement on the previous censuses; however, it still falls short of the big claims of complete count. The categories of Asian/Pacific have changed from four to eight. Significantly, the South Asian community has been lumped together under the label 'Asian Indians'. While this classification may be convenient for an American who connot easily distinguish between an Indian, Pakistani, Bangladeshi, or Sri Lankan, it might be at the cost of nationalist sentiments, and ethnic identity of the non-Indian South Asian communities. It is also in utter disregard of the historical, geographical, and political realities in the Indian Sub-continent since the Second World War, though it might conform to the American image of early Indian settlers in the late 19th and early 20th century as 'East Indians'. Moreover, the classification of Asian/Pacific people only under eight categories is least comprehensive, which can deprive the invisible ethnic groups their rights and needed services.

Under the 1980 census, complete confidentiality of the information furnished by an individual in the questionnaire is guaranteed. This change is the result of the often expressed concern that Asians residing illegally in this country would not furnish information out of the fear of reprisal by the immigration authorities. By law now, individual census answers will be confidential and inaccessible to other government agencies, whatever their purpose. Any individual convicted of divulging personal census information would be subject to a $ 5,000 fine and five years of imprisonment. Indeed, it will be in the US interest to have a hundred per cent count of the Asian community for a meaningful research and cost-benefit analysis of its immigration policy which has especially become important on account of the great influx of Asian immigrants to this country following the liberalisation of the US immigration laws in 1965.

The 1980 census, just like the preceding censuses, is not likely to achieve the widely publicised goal of complete count. The Asian/Pacific communities would remain underenumerated and inadequately classified. While the recent efforts at somewhat widening the scope of enumeration of minorities of Pacific Island and Asian origin may have the impact of placating some of the organised ethnic groups that had grown quite critical of the Cen Bureau's performance in the rec decades, many small and not v organised Asian minorities would remain unenumerated or underenur rated. In particular, the classificat of South Asians on the basis of so-called ethnic heritage is mislead and in utter disregard of the geopol cal and ethnic realities.

KHADI & VILLAGE INDUSTRIES COMMISSION
BOMBAY-56

An opportunity for candidates belonging to Scheduled Castes and Scheduled Tribes.

Applications are invited from candidates belonging to scheduled caste/scheduled tribe for the posts of Directors in the scale of Rs. 1200-50-1600 plus allowances as admissible under the Khadi and Village Industries Commission, for filling up vacancies, reserved for such candidates as and when occur. The qualifications, experience etc. essential for the posts are as follows:

(a) *Minimum essential academic qualification:* Graduate in any discipline or any qualifications recognised by Central Government as equivalent to graduate.

(b) *Desirable qualifications:* Degree or diploma in any technology relevant to the development of Cottage and Village Industries programme. OR Degree or Diploma in Business Management, Public Administration, Law, Accounts, Planning or Marketing.

(c) *Experience:* At least 10 years experience in the fields of Khadi and Village Industries or in the fields of Finance and Administration/ Audit and Accounts/Law, Planning or Marketing of which 5 years should be in a responsible supervisory capacity at senior level.

(d) *Relaxation:* In case of exceptionally competent persons with long standing experiences in responsible position, the academic qualifications can be relaxed.

(e) *Preferance:* Other things being equal, preference will be given to persons with long experience in equivalent senior position in the field of Khadi and Village Industries/Administration and Finance/Audit and Accounts/Law, Planning and Marketing.

(f) *Maximum Age:* 50 years (after allowing relaxation upto 5 years for scheduled caste/scheduled tribe candidates.) No age limit for Commission's employees.

How to apply: Typed application on a foolscap paper giving the following particulars in a tabular form should be submitted. The order given below must be adhered to. Incomplete applications are liable to be rejected. (1) Name and Address (2) Date of Birth, (3) Are you a member of Scheduled Caste/Scheduled Tribe... Yes/No.

Details of qualifications: (a) Degree Graduation and above (in tabular form) (b) Month and year of passing (c) Percentage of marks obtained (d) Division obtained (e) Name of University.

Details of work experience in tabular form: (a) Name of the employer (b) Post held (c) Pay scale and present pay (d) Date from to (e) Reasons for leaving.

Applications must reach Secretary, Services Board, Khadi & Village Industries Commission, Gramodaya, Irla Road, Vile Parle (West), Bombay-56 (Through proper channel, in the case of Commission's employees and candidates in Govt./Semi Governments/Public undertaking Service), on or before 31st March 1980. For candidates residing in Andamans, the North Eastern States and remote hill and border areas applications received upto 14th April 1980 may be considered.

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The State as Private Property

Arun Shourie

WE still have a few more fathoms to go before we touch rock-bottom. But we have gone far enough and the direction of descent is clear enough for us to characterise the current phase.

It is a phase in which the State shall be private property.

The sordid sequence leading to the present state is so recent and so well known that it is necessary here to recall only three features of the sequence.

First, over the past five years one institution after another has shown itself to be bankrupt. When put to the test not one — not a legislature, not a court, not the bureaucracy, not the press, none — has stood up. There are thus no break-waters left. Second, and this is but an aspect of and in part accounts for the first, the mercenary spirit has conquered all. Idealism is no one's motivation. Indeed, the one who urges ideals is dismissed as a fool. Politicians have been the faithful and most blatant symptoms of this collapse: each of them works solely and exclusively for his personal interest and does so openly.

Third, it is not just that each works solely and exclusively for his personal, mercenary interest; the horizon of each has by now been so shortened that each does what seems to him to be in his personal interest *at that particular moment.* No one pays heed to what will be the almost certain consequence of his act tomorrow. "One step enough for me ..."! The Janata government is collapsing; presuming that as the government is tottering *that* precisely is the moment when its demands will be hastily acceeded, a Jana Sangh dominated union shuts off water supply to Delhi's citizens for days on end, and thus helps destroy such sympthy as citizens may still have for the government of which Jana Sangh is a part. Elections are called; traders, sensing that there is no government, decide to make a quick killing and enrage the voters to vote for a party that promises to put them down. The election campaign picks up; the Janata party is in desperate need of funds; its candidates are sending frantic messages to Delhi; its leader receives very substantial amounts; he (and I can state this from my personal knowledge) passes on one-fiftieth to the party and stomachs the rest. Even a fool could have warned Bahuguna — and many fools thinking their advice would deter him did warn him — that the rulers would spit him out as a pit the moment the elections were over. The warning about tomorrow does not deter him from opportunism that would serve what seemed to him to be his interest at that moment. And the next day a Bhajan Lal sees the fate of Bahuguna and yet does the same thing!

Not just selfish mercenaries then, desperate mercenaries. Thus, over a long period each discredits the other by his propaganda and each discredits himself by his deeds. And the people, seeing such crass opportunism on all sides, come to believe the worst about everyone. The doubts soon extend to the system itself: "all politicians are robbers", becomes "all politicians thrown up through the democratic process are robbers", and that in turn becomes "the democratic process can do no better than to throw up robbers ...". And thus again and again in history the people come to throw their fate into the hands of free-booters.

These free-booters have only two objectives — plunder and "power", power not in the sense of the ability to transform societies but the power that a bully wants, the "power" to patronise one person, to terrorise another.

The cadre of such a regime consists solely of the lumpen, of small-time free-booters dying to become big-time free-booters, of small bullies dying to become big bullies. They have no other purpose. Quite apart from the subjective affinity that the leaders, being in some respects dropouts themselves, feel for this lot, even from the point of view of the objective interests of the leaders the lumpen provide the only "reliable" followers — they are nothing without the leaders and hence they alone can provide the unthinking support the leaders need, having shed all reticence they alone can organise the vulgar festivities that the leaders want.

On these expeditions, which the grand official *Moniteur* and the small private *Moniteurs* belonging to Bonaparte naturally had to celebrate as triumphs, he was constantly accompanied by affiliates of the Society of 10 December. This society dated from 1849. Under the pretext of founding a charitable organisation, the Paris lumpen-proletariat had been organised into secret sections, each section led by Bonapartist agents and the whole headed by a Bonapartist general. Alongside decayed *roues* of doubtful origin and uncertain means of subsistence, alongside ruined and adventurous scions of the bourgeoisie, there were vagabonds, discharged soldiers, discharged criminals, ... swindlers, confidence tricksters, ... brothel-keepers, ... in short, the whole indeterminate fragmented mass, tossed backwards and forwards, which the French call *la boheme;* with these elements, so akin to himself, Bonaparte formed the backbone of the Society of 10 December. This was a 'charitable organisation' in that all its members, like Bonaparte, felt the need to provide themselves with charity at the expense of the nation's workers. This Bonaparte, who has set himself up as the head of the lumpen-proletariat, who can only in that class find a mass reflection of the interests he himself pursues, who perceives in the scum, the leavings, the refuse of all classes the only class which can provide him with an unconditional basis, this is the real Bonaparte, the Bonaparte *sans phrase* ... What the National Workshops were for the socialist workers, what the Mobile Guard was for the bourgeois republicans, the Society of 10 December was for Bonaparte: the characteristic fighting force of his party. On his journeys detachments of the Society had to pack the trains and improvise a public for him, had to stage public enthusiasm, scream the words *vive l'empereur,* insult and beat up republicans, all with the protection of the police, of course. When he returned to Paris they had to form the advance guard, and forestall or disperse counter-demonstrations ...

The rulers thus organise the lumpen, enable them to live off the land and the lumpen in turn arrange festivities for the rulers and provide them unthinking support.

As in the phase preceding such a consummation ideals have been completely abandoned and as almost all in public life have become desperate mercenaries, when the swing turns in the favour of this set of leaders, it is a complete swing. The impression that 'x' is on the way out itself ensures that he gets out as his sub-mercenaries, tied to him solely by the

prospect of plunder, desert him as soon as he seems no longer to be the best way of ensuring that plunder. They flock, all and altogether, to the new leader, the new best bet. Victories for this reason are sweeping victories, defeats are annihilations. The stampede is not confined to individuals. As no institution — no legislature, no court, none — has any ballast, one institution after another rushes into announce its capitulation, to offer its salutations to the new rulers.

Individuals and groups in mortal danger fail to work even purely defensive alliances.

Such alliances are formed from time to time. But they consist of individuals and groups who, as we saw, are none other than desperate mercenaries, whose only obsession is their own advantage, and their advantage at that moment. Each is concerned not with the power of the alliance but with *his* power and with his power not *vis-a-vis* the principal danger — *el Supremo* and his comrades, they being so far ahead that hoping to rival them is out of the question in any case — but his power *vis-a-vis* his partners in the alliance, who, each is convinced, though partners today will probably be his rivals tomorrow. And so in each crisis, even though the avalanche threatens all, each is frantic to ensure that he does not concede more to make the alliance work than his partners are conceding, that he does not commit more of his resources in this engagement, thus leaving himself with less than his partners/rivals will have in the next round. Thus even as the avalanche hurtles down, each is found busy cajoling, blackmailing, bamboozling others into committing more than he does. And as till the avalanche actually is upon them it is impossible to calculate the total strength needed to meet it, the negotiation, the cajoling, bullying, bamboozling, goes on to the very end.

Indeed, many a partner in the alliance does not even wish that the principal danger disappear, that the alliance win a complete victory. "No one will need me then", he tells himself, "they will run off with everything".

As each partner is concerned solely with his interests and with his interests of the moment each, even as he is bullying and bamboozling his partners in the alliance, is secretly seeing if he cannot strike a deal with *el Supremo*. The threat looms. The alliance makes a few shadow manoeuvres. But then suddenly one partner or another from within it — the perennial Bhajan Lal — walks over to the *Supremo* with his entire army. Each such walk-over makes the next more inevitable for each partner, being concerned only with his advantage, with each accretion to the *Supremo*, the latter seems more and more as the only way to ensure the advantage.

Onlookers debate whether such and such partner will go over for less than such and thus a concession, for less than such and thus a courtesy from *el Supremo*. They underestimate the desperation of the partners. Eventually each — compromised, frightened — is prepared to walk over just to stave off harm. (Lest all this sound countrived merely to fit the Janata period, I should record that I am reproducing almost literally sentences from two studies, those of James Sheridan and Lucian Pye, of the 1910s and 1920s in China, the period when warlords fought each other and eventually made way for Chiang Kai-shek!)

Thus, these nominal opponents — the very ones who have handed the State to *el Supremo* — are never able to provide an obstacle to *el Supremo*.

"Power" — the bully's power, the power to plunder — is now exercised by a small, ever changing and ever shrinking coterie. Weak men — a few decent and a few efficient men among them — are used as front men. They provide a veneer of respectability and in some cases even some efficiency in their particular assignments (and thus end up making a doubly destructive contribution to the process). The pundits debate the strengths and weaknesses of the nominal cabinet which is not the real cabinet at all. These decent front men are ineffective and helpless in altering the character of the regime. By temperament and by choice they shrink into their shells, praying that they shall thus stay out of harm's way.

In the meanwhile the small pack uses "power" ruthlessly and with a singleness of purpose to which the flabby society is unaccustomed — the purpose always being more plunder and more "power". The containers remain the same — there still are "legislatures", there still are "courts", there still is a "police" — but the content of each is different, it is poison now.

Legislatures now are chambers for intimidation should someone from the rump of an opposition have the temerity to ask a question. And they a chambers for acclamation should o of the rulers but let go a platitude.

Courts survive. But justice does n There is now no justice between t citizen and the State as the State now the private property of supe men. And there is no justice betwe citizen and citizen either should o of the citizens happen to be a ruler someone linked to a ruler.

Civil servants become domest servants, always on the look out f an opportunity by which they m serve their masters better, always pr sent to provide a veneer of propriet of "legality" to what the master wan done.

The police force becomes a priva army. The king of the underwor becomes the king of police or the kin of police becomes the king of th underworld. A new set of crimes — crimes made to order — now surface These crimes repeatedly, but of cours by pure coincidence, come to strik the very ones who are inconvenien to the rulers. The State is full o sympathy and solicitude but unfortu nately helpless; the police always rus to the scene, but unfortunately arriv just a bit too late to catch the crimi nals; the investigations are alway taken up expeditiously, but unfortuna tely again, and in spite of the bes efforts, fail to turn up the real crimi nals or else turn up as criminals thos who, like the victims, also happen t be inconvenient to the regime.

The customary crimes continue bu whether they are noticed or not come to depend on the convenience of th rulers. The crimes suddenly appear a a wave in the newspapers when th rulers want to deploy more of thei private army, the police, when they want to give it additional powers, when they want to round up "anti-socia elements". And the wave suddenly subsides when the rulers want to prov that the larger deployment, the more arbitrary powers, the arrests have indeed curtailed crime.

Similarly, whether a particular crime becomes a *cause celebre* or not also comes to depend on the convenienc of the rulers. If you happen to ge raped in Narainpur, UP, one week the whole State machinery is outrag ed; if you happen to get raped i Khammam, Andhra Pradesh, that week no one even hears of it. (I may be the other way round the next week.)

Or, when the victim and the assailant are both outside the circle that now

owns the State, the way the investigation and pursuit proceeds comes to depend on who acquires access to or is more resourceful in greasing the palms of someone in the circle. For, as the State has become private property, every business of the State becomes a private business.

Every business. Tension at the borders? Get arms from abroad. After depositing a commission for the brotherhood. Famine in the east? Rush supplies. After depositing a cut for the brotherhood. What was "corruption" in the last round becomes a tax now, the one tax that is collected with exemplary efficiency.

The characterisation of the phase as "the State as private property" in the end fails to describe the phase adequately. For we are accustomed to a state of affairs in which the use of private property by each owner is circumscribed by laws, by norms that protect the rights of others, at least of other owners. But even as innocent liberals keep citing laws and recalling clauses of the Constitution, there are no laws any longer, no norms for the rulers and their comrades. Moreover, the property, the State, is now not in the hands of pioneers, the ones who built it with their drive and skill, who had pride — a possessive pride true, but pride nonetheless — in it. The property is now in the hands of free-booters in whose laps it has accidentally fallen. And whose only mania is to use it for plunder and "power", for plunder and "power" *now*.

To run a modern State one needs a minimum expertise, an apparatus running at minimum efficiency. *El Supremo* and his bunch destroy the very apparatus they need for running the vast new property they have acquired.

The process begins at the top itself. To rule, *el Supremo* needs henchmen, satraps. But to rule for long he must not permit a satrap to stay for long. Thus he will build 'x' in a province while simultaneously encouraging 'y'; then switch to 'y' while simultaneously encouraging 'x'; next he will shift 'y' to the centre thus robbing him of that vital relationship — of direct patronage with his followers; but if 'y' stays for long at the centre he will begin to dabble in the "power" game there and so he is packed off again... All this strengthens *el Supremo* by keeping everyone else off-balance but it also deprives *el Supremo* of all assistance in running the apparatus.

"Administration degenerates", Eastman quotes C M Chang writing in 1936, "into mere correspondence. The result is that politics too often ends where it should begin, with the assertion of intentions..." *El Supremo* himself fumes and frets; unless we change our ways, Chiang Kai-shek screams, the people will throw us out as we threw out the Manchus. "In China", Eastman recalls Chiang saying in 1932, "when something arrives at a government office, it is *yamenized* — all reform projects are handled lackadaisically, negligently, and inefficiently... Our work consists almost solely of the passing back and forth of documents. Stated simply, the documents sound good, but they are written negligently without regard for the true facts of the situation. With regard to practical work, Chinese either do not know how, or — if they know — they are slow in the extreme. It is not simply a matter of not completing today's work, but of putting off this week's work until next week, and indeed often putting off this month's public affairs until next month, and even of not doing this year's work until next year. This matter of amassing and delaying documents in this way can procrastinatingly ruin everything, causing deadly suffering for the common people..." But nothing changes. "Nanking remained", says Eastman, "a Kafkaesque world of documents. Hsu Daulin, who knew the bureaucracy intimately from the inside, recalled that a document arriving at a provincial governmental office was transmitted through thirty-seven steps, each of which consumed from a few hours to a few days. As a consequence, Hsu wrote, 'A reply after a half year's time was a surprise to no one. Not a few documents perished on their long and weary journey, buried alive in somebody's desk drawer. But just because of this lengthy processing procedure, mountains of documents were to be seen in every government agency'..."

Nothing moves till *el Supremo* shouts. When he shouts, things fly. Then settle back. And everyone resumes correspondence, shuffling documents.

It is not just that administration deteriorates. Purposes become narrower. Policies, as in the case of any other entrepreneur, aim not at maximising production, but profit. Production, if that will ensure profit. Shortages, if they will ensure profit. Corner a commodity; ban imports; make a killing; allow imports...

The instrument winds down. Its purposes become narrower. Next, it is brutalised.

Because of the natural affinity they feel with such men and because the nature of the things they want done is such that only men in their own image will do them, *el Supremo* and his comrades induct sub-bullies and sub-adventurers to key positions. This has the immediate consequence of accelerating the process. The moderately decent men in the apparatus are alienated. They shrink back, sullen, resentful to take up out of the way assignments. *El Supremo* responds by inducting more bullies and adventurers. The State apparatus is thus progressively brutalised. And it is reorganised not as a government but as the mafia: territories are staked out as among bullies in the underworld.

Now, bullies will be bullies and adventurers will be adventurers. You can't expect them to fix things, to break heads for *el Supremo* and to desist from fixing things and breaking heads for themselves. The bulk of the tyranny originates not from the active direction of *el Supremo* but from these satraps working out their spleen. Either way it outrages the people.

"But knowing the certain consequences of this sequence, won't *el Supremo* hold their hand?"

He won't and he can't. He won't because he knows that it is only the culpable, the one who has himself committed crimes, who is a completely reliable instrument. For he alone knows that should *el Supremo* go, he would be exposed, that he would be hauled up for his crimes. He will thus protect the master just to protect himself.

And *el Supremo* can't because, having done so much for *el Supremo* the subalterns are in the know. And, in any case, there is more work to be done, more heads to be broken.

By the end even if the ruler decides to jettison the bullies and the adventurers among his comrades, no one believes that he is doing so for any good other than his own.

> The only thought of everyone in Kuomintang China, we are told, was "to become official and get rich". Corruption multiplied. A vigilance commission, called the Control Yuan, was set up. "The Control Yuan", Eastman recalls, "was constitutionally empowered to serve as the supreme watchdog of the bureaucracy, but it was equally ineffective in expunging corruption. Without real power, it had become a sinecure for ineffectual old men,... From 1931... through 1937, the Control Yuan was presented with cases of alleged corruption involving 69,500 officials. Of these, the Yuan returned indictments on only 1,800 persons... Of the 1,800 individuals indicted for corruption by the Control Yuan, only 268 were actually

found guilty by the courts or other disciplinary agencies. And, of the 268 persons found guilty, 214 received no punishment whatsoever, and forty-one received merely a light punishment, such as a 10 per cent reduction of salary. Only thirteen of the 268 guilty officials were actually dismissed from office... Indeed, the entire system which was designed to impede and punish corruption was a laughing-stock, because it was felt that the only persons caught by it were the little men who did not have powerful friends... Only when Chiang Kai-shek personally intervened, it seems, could stern measures be taken against corruption. In 1934, the Generalissimo ordered seven officials summarily shot for corruption... Yet Chiang's efforts to eliminate corruption were both spasmodic and selective. Indeed, he tolerated corruption among his most intimate advisers and even within his personal family. There is therefore cause to suspect that Chiang used his periodic crack-downs on corruption less as a means to eliminate it than as a device to control his subordinates. For the subordinates, most of whom were in some degree corrupt, had reason to fear that, if for any reason they lost the Generalissimo's goodwill, they were vulnerable to punishment for malfeasance in office".

Thus, at the very outset the instrument gets alienated from the rulers. Succeeding moves of the ruler end up brutalising the instrument and this in turn angers the people.

All this helps turn the tide, to teach people the importance of fundamentals that, in their disillusionment and despair, they had chosen to disregard. What was strength becomes weakness. Consider *el Supremo* and his control over institutions. At first because of this control *el Supremo* outsmarts all. Well meaning people rush to one institution after another seeking protection against his assaults while he alone treats the institutions for what they are, hollow cans. But over time, as Marx wrote of the clown grown serious, falls prey to his own delusions, he begins treating his own comedy as history. The Shah controls the press and thinks that thus he controls what people think. But the people go by their living experience and not by what is written in newspapers they do not read... The Shah controls the courts. They produce one judgment after another affirming that he acts well, that he acts justly, that he acts constitutionally. The Shah waves the testimonials the judges have given him and thinks that thus the people will know he acts well and justly. By then the people know the judges as well as the Shah knows them. They say he has written the testimonials himself...

There would, of course, be one way out — to reduce the role of the State in the life of that country. Were this to be done the dwindling legitimacy of the regime as well as its reduced efficiency would not matter that much. But this is the one thing the rulers will never do. The State is the property they have acquired. It is their very livelihood. As they are the State, to cut it out would be for the rulers to cut themselves out.

Thus, the State remains all-pervading and efficiency dwindles. People become restive. Spontaneous protests erupt. The regime uses terror. That fans greater protest. That justifies further terror... In the end SAVAK could not save the Shah nor could his hoodlums save Samoza.

Thus the tide turns. But the rising awareness of the people requires a new focus. And only that individual or group can provide this focus who is in every particular, in every detail the anti-thesis of *el Supremo* and his bunch. Only the one who is completely outside *el Supremo's* universe will be beyond the latter's weapons — abuse, blackmail, violence. Moreover, should the challenger resemble *el Supermo* the people, outraged by one, will not rally to his twin. And even if they do and *el Supremo* is removed, his evil will live on through his successor. So it has to be an individual or a group that is to *el Supremo* as white is to black.

Even if people realise the importance of fundamentals, even if their new aspirations acquire an unassailable focus and *el Supremo* and his bunch are removed, the ill they had done does not end with their exit. Look at Iran today. A country having been treated as personal property for decades necessarily has to go through much buffeting from one extreme to another before it finds the system it needs. Indeed, the buffeting that follows the ejection *el Supremo* is so great and memories always so short that often enough people cannot bear the new responsibilities freedom has brought. They hearken back to the security of a Shah — "at least he knew how to govern", they chant.

For all this yearning few Shahs and Chiangs return. And if they do it is as the aged Peron. The people soon realise that the old magic, the old touch is gone. For a Peron the fact that the people have had to turn back to him is a vindication of his old ways. He tries to play the role again. But the uniforms, though preserved so lovingly over all those years, do not fit, the false teeth tumble out in midsentence ...In history, as Marx said, amplifying Hegal, events occur twice — first as tragedy, then as farce...

The legacy then is certain. As is the end. But the time-table is not. An accident may end the rule tomorrow. But it usually lasts for decades. The Samozas: 42 years; the Shah: 37 years Marcos: 14 years and still astride his people.

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[This article is extracted by the author from his book "Institutions In The Janata Phase" to be published by Popular Prakashan, Bombay.]

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EWAC Alloys

EWAC ALLOYS a joint venture of Larsen and Toubro and Eutectic Corporation, USA, has set up a well-equipped research and development centre in Bombay by Rene Wasserman, Honorary Chairman of Eutectic+Castolin. EWAC Alloys manufactures special welding electrodes, gas rods, alloys and fluxes, welding torches and accessories — all Eutectic products renowned for applications that prolong the service life of plant and machinery. Eutectic+Castolin is the world leader in the development of special alloys and processes to prolong the life of machine parts and tools. In its 70 years of existence the Group has registered more than 100 patents for wear-preventive products and processes. Wasserman is the author of "How to Save Millions", the difinitive book on the economics of preventive maintenance technology. This technology can drastically reduce waste of energy and raw materials by avoiding the premature scrapping of machine parts. In terms of India's economy this means reduced dependence on imports for replacement parts and saving of foreign exchange.

Relevant and Committed Sociology

Gail Omvedt

Social Movements in India: Volume I — Peasant and Backward Caste Movements by M S A Rao; Manohar, Delhi, 1978; pp 250, Rs 65.

Agrarian Relations in India, 1793-1947 by Sunil Sen; Peoples' Publishing House, New Delhi, 1979; pp 244, Rs 45.

RAO'S volume is a collection of essays of varied types and uneven quality. But two of them, long articles by Partha Mukherji and Rajendra Singh on peasant movements, are almost worth the price of the book (for those at any rate who can afford the prices of books these days).

Mukherji's article is an initial report on the first academic study of the Naxalite revolt and, read in conjunction with the writings of participants (particularly of Charu Mazumdar and Kanu Sanyal as given in the *Frontier* volumes), it is invaluable. It makes it clear that the Naxalbari revolt itself occurred not in a vacuum but on the basis of a long history of struggle. It also shows that there were certain features specific to this area of north Bengal as contrasted with many other parts of India. One was the unreconstructed "semi-feudal" nature of land relations, where landlord-sharecropper relations dominated up through 1967 as contrasted with the agrarian transformation that occurred elswhere (for instance as described in Rajendra Singh's study) and agricultural labourers, rich capitalist farmers or proto-capitalist rich peasants formed only an insignificant minority. Another fairly unique feature was the absence of caste divisions complicating and defining class relations.

The most interesting aspect of Mukherji's study is his emphasis on the two-line struggle between Charu Mazumdar and Kanu Sanyal, a discussion that generally supports Sanyal's own views on the matter (see his articles in the second *Frontier* volume). CM's position is identified with that of "an urban-elitist-authoritarian-petty bourgeois bias in the conduct and style of operation of the movement" (p 70) and his line is held to be part of a conspiratorial, student-influenced approach that dominated in 1969 and ultimately failed, while Kanu Sanyal's group are described as "peasant leaders" (they were the main activists of the Krishak Samiti as a mass organisation), more democratic in orientation and more intimately connected with the 1967 uprising itself.

What were the main differences? There was agreement on the "Chinese path", on agrarian revolution through armed struggle, and on building up a secret party organisation. However, Sanyal emphasised the necessity of mass movements, of carrying on ideological struggle inside the CPI(M), and on "solving the land question before attempting an agrarian revolt... Once illegally held land in the occupation of the jotedar was seized, the question of defending it with all one's might will definitely arise, particularly if an offensive is mounted for the retrieval of such lands. But if such developments do not take place and they can engage in a legal offensive, an armed confrontation need not be necessary" (p 44; this is Mukherji's phrasing of the discussion at the crucial Buraganj conference). In contrast the Charu-liners emphasised appropriating lands, establishing a peoples' government and immediate armed struggle.

Mukherji's presentation of this is highly sympathetic to Sanyal, as noted, and his critique of Mazumdar is also much the same as that of a large section of the Naxalite movement itself since 1970. And on the whole it seems a *reasonable* critique. And yet, to my mind at any rate, crucial questions remain that are covered up by the seemingly academic way in which Mukherji presents his case.

In regard to "ideological struggle within the CPI(M)", for instance, it is clear that once armed struggle had begun and Hare Krishna Konar had asked the activists to call it off, surrender to the court and let the party fight the legal battle (p 47), the point of no return had been reached; "democratic-centralist" discipline is no light matter. Similarly, being the major activists of a party-led mass organisation does not *necessarily* guarantee the correctness of a line or the existence of "democratic" methods; peasant or workingclass mass organisations can be as much dominated by bureaucratism as circles of petty bourgeois intellectuals.

Most important though is the issue of land and armed struggle, or "defending economic gains" *versus* "seizing political power". In spite of the seeming reasonableness of the "Kanu line", it does look suspiciously compromising. That is, whether armed struggle is "defensive" or not is beside the point; if it is to be carried on at all it must be done as the result of a strategic political *decision* by a party; otherwise peasants simply fighting back landlords' efforts to retake land will be more helpless than those carrying on an offensive. A decision to take the offensive or fight back has to be made in advance on the basis of an analysis of the situation, and not simply saying that "if" something happens "armed confrontation" may or may not be necessary. Nor is there any evidence that having gained some lands will enthuse the masses for armed struggle to defend them any more than the prospect of gaining them as a result of armed struggle. In fact, even as Mukherji presents the case, it seems as likely that it was Charu's call for armed struggle and for establishing their power that inspired the militancy leading the Naxalbari uprising.

What one is left with is a sense of paradox. The "Charu line" *was* undeniably "adventurous" in the sense that it helped inspire the peasants to a violent revolt that in the end stood no chance of any real victory: one small area could not stand against the military force of a nation, nor could it be a "spark" to set off a prairie fire in the entire country. Against superior military force the movement was crushed. Yet without the call for armed struggle it is hard to see how the Naxalbari peasant revolt could have taken the form it did and it is impossible to imagine how it could have inspired activists throughout the country to give birth to the CPI(ML), which whatever its faults, did give a challenge to the parliamentarism of the established parties. Mukherji's claim that Charu's conspiratorial style left "the party in utter shambles" (p 70) may well be true, but without his political intervention it is hard to conceive how it would have come into existence.

Rajendra Singh's study of the peasant movement in Basti district of

UP provides an important contrast in studying agrarian revolt that has been little known, Congress-led (in the early years), without the dramatic impact of the big communist movements, but perhaps more typical. He describes two movements, the Nijai Bol (the term means literally "self-speak") movement to claim land by those who actually cultivated it (in 1946-48, often violent, though sporadic, revolts leading up to it were in evidence from the 1930s onwards) and the land-grab movement led by the CPI and Socialists in 1970. In the process he makes some important points about the inability of caste divisions to prevent revolt, about the relation between culture and economic structure, and about the role of "outsiders" in peasant struggles.

The most interesting concrete point that emerges is the caste structuring of the feudal relations of dependency, in which Basti was far more typical of India as a whole than Naxalbari. The oppressed in Basti, though facing the same class enemy in the mainly Rajput maliks, were divided into two sections: the middle caste kisans (among whom ahirs and kurmis were the most numerous) who were tenants and sharecroppers with some historic claim to the land, and the untouchable (mainly chamar) khetmajurs who were bonded labourers and field servants, tilling the land for Rajput overlords but without any independence or claim to the land. While both took part in the land struggles, the chamars and other untouchables lost out almost completely in the Nijai Bol — because the very terms of the movement itself, in which claims to the land were made on the basis of being traditionally "cultivators", tended to exclude them.

Singh's description of the land-grab movement is unfortunately brief (he covers it in more detail elsewhere), but it is clear that its background was substantial rural class changes. The abolition of zamindari gave birth to a substantial class of kisan (ex-tenant middle caste kurmis, etc) rich peasants and capitalist farmers who along with some ex-zamindars became the dominant rural elite. In this context, only the previously deprived untouchables and Muslims took part in the land-grab movement. Their targets included ex-tenant kurmi landowners as well as Rajput ex-landlords, the landowners succeeded in splitting the movement along communal lines to win the caste Hindu poor peasants to their side, and the movement failed. Singh's view is that it was a necessary failure since the "middle class peasantry", made up mainly of ex-kisans, was now an oppressing majority: "When surplus land does not actually exist and when land is shared by the majority section of the peasantry perpetual exhortation for the class formation to carry out a struggle remains ... academic" (p 144).

Here though it can be argued that in fact the oppressing sections remain a minority (land is just as concentrated under capitalist agriculture as under feudalism, though in a different form) and the oppressed, including caste Hindu poor peasants, are a majority — but the different forms of oppression require different types of unity and a new struggle. In fact the land-grab movement of 1970 can be said to be not so much a failure as the beginning of a new era of struggle; the beginning years of revolt by Basti peasants in the 1930s may have looked just as futile. Both it and the Naxalbari revolt (in literal terms also "unsuccessful") were in different ways forerunners of the still developing movement of the rural poor, which is now centering around the ex-untouchables and agricultural labourers and struggling to fight the caste-communal divisions which hamper it.

Other articles, besides Rao's own brief discussion of conceptual problem and a comparison of Black and backward caste movements, include a study of reform movements among the Waddars and one of the Telengan revolt. The former is interesting but in this case the selection fails to do justice to the full range and the most militant of "backward caste" movements. Ranga Rao's study of Telengana adds little to earlier work by Dhanagare and of course Sundarayya's book; but it does give an important stress in insisting on analysing the revolt in the context of other social movements in Telengana, in particular the social reform tradition which helped to give birth to the Andhra Mahasabha and to link the demands for abolition of untouchability and forced labour with the later ones for land. Rao's conclusion is also interesting: the revolt resulted in some land reforms that changed the class structure to the extent of helping tenant cultivators and softening the exploitation of labourers. But this was only "social transformation" and not "revolution" and "The revolutionary ideology was softened and the Communist party, which had led the movement, became part of the democratic system" (p 167). In fact (as perhaps the labourers and poor peasants now involved in struggles in Karimnagar might testify) it seems to

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have left the rural poor in Telengana almost in the same position as those in Basti.

Why was this? In part Sunil Sen's "Agrarian Relations in India" is an attempt to answer this question. In contrast to Rao's collection, it is a study by an ex-activist in the peasant movement who worked "without any financial assistance from the proliferating research institutes" (vii). According to Sen, commercial agriculture helped lay the basis for the growth of capitalist relations of production, and the growing class of rich peasantry who benefited from this not only had their quarrels with merchants and landlords and so entered the agrarian movement, but also came to dominate it and to emerge after Independence as a rising class of capitalist farmers who were the main oppressors of the rural poor. (Though Sen notes that merchant and usurer capital remain significant in many areas, and tends to stress the capitalist transformation as occurring most completely in the Punjab.)

Sen is critical of the Kisan Sabha (and thus indirectly of its communist leadership of which he evidently remains a part) for its ambivalent attitude towards the khetmajurs and for appeasement of the rich peasants — even in the Telengana revolt. Much of his analysis seems valid, and his contrast between the pre-Independence period when rich peasants fought feudalism as leaders in a broad peasant movement and the post-Independence period in which capitalist development in agriculture laid the basis for the new clash between the rich farmers and agricultural labourers, also seems valid. (Though even here he misses one important point: in claiming that the khetmajur "remains a Harijan", i e, the most socially oppressed, he ignores the large number of caste Hindus increasingly forced to do wage labour and thus neglects the importance of fighting caste divisions to build unity among the rural poor.)

However, his analysis neglects one crucial issue. The struggles described by Sen, especially Telengana, and the Nijai Bol movement in Basti analysed by Singh, were all part of the pre-Independence anti-feudal movement which did have the participation of all classes; the Naxalbari revolt and the land-grab movement were both part of new struggles emerging among the rural poor composed of different sections who had lost out in the early period (including the dalit khetmajurs, sharecroppers still afflicted by feudal domination, and caste Hindu ex-peasants who had become impoverished in contrast to the handful of ex-kisans turned rich). But there were important differences which both the writers in the Rao collection and Sen fail to stress. The Naxalbari and Telengana revolts were attempts to actually seize political power in the rural areas and in fact succeeded in doing so temporarily. Their ultimate failure was at an entirely different level from the failure of the land-grab movement or the success of Nijai Bol. It was only in the context of this failure and the resulting establishment and maintenance of the bourgeois state that the involvement of the rich peasant in the agrarian movement was transformed into the dominance of the capitalist farmer and the continuing misery of the rural poor. Rich peasants, after all, were just as crucial to the Chinese, Vietnamese and other revolutions.

I might add one final point. Academic sociology is responsible for a good deal of nonsense, but my impression is that the nonsense element is somewhat less in India than in countries like the US where it is almost absolutely dominant. Where Indian social scientists begin to deal with the realities of their own society, they have shown themselves capable of making use of some of the good features of academic sociology to produce studies that provide important analysis and raise crucial issues. The Rao volume is an example of this; while there may be much to disagree with theoretically (e g, Mukherji's characterisation of the Naxalite movement as non-revolutionary because of the individualistic nature of the slogan of "land to the tiller"; Singh's over-evaluation of the "pro-peasant" policies of Gandhians in the Congress), it brings forward the most important issues of concern. Hopefully, a new period of relevant and committed sociology may be beginning in India.

Science for the People

Jashbhai Patel

Towards a People's Science Movement, Papers and Proceedings of the All-India Convention of People's Science Movements; edited by K P Kannan; Kerala Sastrasahitya Parishad, 1979; pp 206, Rs 15.

SCIENCE in India is confined to a small section of the population. The reasons for this lopsided development are easy to enumerate but difficult to alter because the problem, although not intractable, is a difficult one. In the first place, the main hurdle is the widespread illiteracy in the country and very little is done to remove it. When people do not know their own language, literature and culture, which should come first, what to speak of science? Among the other reasons, the lack of books in science in the Indian languages is of no less importance. Hackneyed science books in Indian languages have failed to become carriers of scientific thought. Creative scientific writing in the Indian languages, therefore, needs to be undertaken at once.

'Towards a people's science movement' is an attempt by many groups and organisations, scattered over the country, to meet the challenge of disseminating scientific knowledge among the people. The book lists the names of the organisations and their activities. At All-India Convention of People's Science Movements organised in Trivandrum in November 1978, representatives of these organisations came together and discussed their problems and exchanged their notes. Since their attempts are desparate, they did not arrive at tangible goals. From the book, we only know what is going on in the country towards the improvement of people's science.

The essence of the book can be had from the 'rapporteurs' reports on the proceedings. We come to know that six groups were formed to discuss six subjects, both separately and jointly. These subjects are: (1) formal education, (2) non-formal education, (3) people-oriented scientific and technological research, (4) health as a lever for social change, (5) journals to help the growth of voluntary movements, and (6) need for inter-group communication. Based on these discussions, 'A Policy-Oriented Note' is prepared and forms the concluding section of the book. The policy is as broad-based as one would desire. How far it is practicable only the future can tell.

Theory of a Dual Mode of Production in Post-Colonial India

Sharat G Lin

The debate over the mode of production in India has suffered from a tendency to focus individually on agriculture, industry, or imperialism — ignoring either the total context or local specificities. Mechanistic transplantation of concepts from elsewhere and black-and-white answers to such matters as the emergence of capitalism and post-colonial dependency have only served to confuse the picture.

Tracing the historical antecedents of the present mode of production, this paper finds that an extremely heterogeneous pre-capitalist mode and later a colonial mode of production served to both lay the material basis for, and retard the development of, Indian capitalism. What has emerged from this distorted development is an interpenetration and integration of pre-capitalist and capitalist relations, generating not so much two independent modes as effectively a single mode with dual character (not to be confused with 'dualism'). Having at once both accommodating and conflicting internal dynamics, the dual mode has features of both stability and transition which can be analysed in terms of mixed relations and the patterns of dominance.

In the current international context, India may be characterised as 'relatively politically independent, relatively economically dependent' and qualitatively differentiated, on the one hand, from the semi-colonial and neo-colonial models, and, on the other hand, from revolutionary states which have removed themselves from the world capitalist periphery.

The paper is being published in two instalments. The first, published this week, briefly surveys the historical antecedents of the present mode of production and goes on to review the debate over the mode of production in Indian agriculture that has taken place till now.

The second instalment, which will be published next week, considers in detail the dynamics and relations of the process of transition in the dual mode of production and the implications of this dual mode hypothesis for India in its present context of post-colonial dependency.

I

Introduction

CAN bourgeois parliamentary democracy succeed in India? Why does the government talk so much about land reform and 'abolishing poverty' but do so little about them? Is India a neo-colony of imperialism? Should central planning priorities emphasise industry or agriculture, village handicrafts or introduction of new 'intermediate technology', expansion of rural markets or export production? Should revolutionary strategies base themselves more on workers or peasants? Whether for government planners or for analysts of the Indian Left, these are among the questions most often debated.

The purpose of this paper is certainly not to provide definitive answers to these specific vital issues. In the face of wide disagreement and vigorous debate, the need of the hour remains a sharping of our tools of analysis and using a systematic scientific methodology for understanding the material forces at work. In attempting to seek answers, Marxists in particular pose the general question: "What is the nature of the State?" However, still more fundamental is an understanding of the nature of the socio-economic base. For this, three prerequisite questions must be asked: "What is the mode of production?", "What is the role of the world economic system and the nature of dependency?", and "What are the classes in Indian society?" This paper is an attempt to further develop a set of theoretical formulations for approaching the first question, though touching on the second and third since the matter is in no sense separable. The rationale for, and significance of, this general approach are best summarised in the words of Karl Marx:[1]

> In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life.

A social formation in transition may bear within itself multiple currents including more than one primary mode of production whose features accommodate, compete, and contradict — providing the material basis for historical processes. The concepts of primary modes of production, such as the 'feudal mode of production' and the 'capitalist mode of production', are necessarily abstractions and conceptual tools (since they almost never exist in pure form) with which to analyse actual and combined modes of production in the context of specific social formations and historical processes. A key element of the analysis is, therefore, the identification of the dominant mode of production, and thereby the primary characteristics and contradictions within a given social formation. Unfortunately, much of the existing discussion — especially that relating to the complexities of com-

bined development (i e, development resulting from the interaction of at least two primary modes of production) in the former colonial countries — has become bogged down in the failure to distinguish between different aspects of dominance, to consider the mode of production in a sector in the context of the entire social formation, and to examine the role of both internal dynamics as well as external forces.

One of the principal problems in analysing the mode of production in a 'Third World' country like India lies in the fact that colonialism and imperialism denied from it a path of integrated development, and in gauging how India's inclusion into the world economic system has distorted its development. The method of historical materialism views the progression of society through a succession of modes of production. Subject to the limitation that a mode relying on more advanced forces of production and organisation than another will not precede the latter, the progression need neither be through any particular set of modes nor proceed in any particular order through equally advanced modes. Had Indian society developed in isolation, or at least in the absence of colonialism and then world imperialism, its history could probably have been analysed in terms of some 'classical' progression (not to be confused with any notion of 'straight-line development') through a sequence of modes of production with appropriate periods of transition and regional variations. However, such was no more the case for India than for any other significant social formation on earth. The relations between the advanced or 'developed' metropolitan centres and the 'Third World' or 'developing' countries of the periphery are characterised by transfers of value which not only severely distort the peripheral economies, but are accomplished by imposing from above new socio-economic relations. These serve to retard the independent development of the peripheral capitalism germinated by those very relations. This is accomplished through the unified formation of imperialism which encompasses both the metropolitan centre and the periphery.[2]

Some theorists have gone further to assert that since there exists a world capitalist system, the integration of the peripheral economies into the world market dominated by capitalism, and the internalisation by the periphery of imperialist relations, characterise these peripheral social formations as capitalist.[3] While this approach naively discounts local pre-capitalist specificities, perhaps its principal contribution lies in its recognition that imperialism involves more than merely domination over the periphery from the outside.

Starting from this same premise, the other interpretation, adopted by several communist parties and groups, assumes that precisely because of the integration of peripheral economies into the world imperialist system, there are no dominant independent capitalist social strata in the periphery, and hence even the post-colonial peripheral countries are automatically labelled 'semi-colonial' rather than capitalist or semi-capitalist. Such arguments ignore the fact that however much the local pre-capitalist or latent capitalist relations may be distorted by imperialism, this does not imply that there cannot be mixed relations or combined modes of production. Moreover, while many agrarian sectors may still not be fully integrated into the larger commodity economy and may retain pre-capitalist features, indigenous capitalism may develop a sufficient, though limited, degree of autonomy to attempt to compete first in the domestic, and eventually in the world, market against metropolitan capitalism. The evolution of this contemporary world order can best be traced from the development of what has been termed the 'colonial mode of production', whereby a fundamental distinction is made between the integration of the periphery into a world market economy dominated by metropolitan capitalism and the local imposition of a capitalist mode of production in the periphery.[4] The former situation can occur in which a capitalist formation (external or indigenous) subsidises extended reproduction in part on the basis of the primitive accumulation of, and intersectoral flow from, a pre-capitalist formation with its reservoir of impoverished labour.[5] Thus, imperialist or capitalist domination certainly does not necessitate transformation of the relations of production in a pre-capitalist formation, though it does involve transformation of the relations of exchange. Further insight into this question requires an understanding of the specific conditions of each given peripheral social formation.

II
The Indian Context

Unlike the industrially-advanced metropolitan countries which are quite readily labelled capitalist, India is still an overwhelmingly rural society despite the phenomenal growth of a number of sprawling urban centres. Roughly 80 per cent of the population lives in the countryside, and 70-75 per cent of the labour force remains directly tied to cultivation of the land. Like many other peripheral countries, there have existed enclaves of export-oriented plantations run by foreign interests along clearly capitalist lines and employing around a million wage labourers, though this is a relatively small and declining percentage of the total. Except for this, and a comparatively small, though growing, sector of native capitalist cash crop enterprises and a minute percentage of 'gentleman' farmers (e g, former civil servants and military officers retiring to farming), there is generally little disagreement that the rest of the countryside remains dominated by various forms involving low labour productivity and pre-capitalist relations of production. These same forms, however, often simultaneously exhibit any of a number of individual traits normally associated with capitalist development. Confusion over how to interpret these indications (which at first glance may seem inconsistent) appears to have greatly confounded the debate over the mode of production in Indian agriculture which has emerged since the 1960s.

Part of the difficulty lies in the sheer diversity and complexity of rural class structure. Many existing class analyses have greatly oversimplified the situation, or have focused on such parameters as size of landholdings rather than the qualitative relations that define true class categories. Keeping in mind the great regional variability, roughly half of the tillers are 'poor' or 'middle' peasants, or, more precisely, small owner-cultivators of land who generally use primarily family labour. Between 35 per cent and 40 per cent are landless households, or sufficiently close to landless that they must earn their living primarily by cultivating someone else's land or by seeking other sources of employment. However, the fact that they are effectively divorced from the land — the most important element of the means of production — does not mean that they belong to the rural

proletariat or semi-proletariat. In general, they may belong to any of four categories in respect of the nature of the social relation of labour: (1) slavery where humans are commodities, (2) bonded labour or serfdom where labour power is attached and not a commodity, (3) 'free' labour where labour power is a commodity, and (4) tenancy where control of labour power is retained by the tenant though its utilisation is dependent upon the rental of appropriate means of production (particularly land). Of these, the last three forms of landlessness exist among Indian tillers today. (Some tenants, though formally in the fourth category, must be excluded as an exploited class since they are actually rich farmers who augment their operations by renting in additional land, often from smaller landholders, and cultivate it with the aid of hired labour.) The first form, slavery, did exist in ancient India through to the early British period.[6] While the relations of production that distinguish landlords and rich peasants from each other and from other classes have generally been recognised, those which differentiate the other classes have often been confused. Often the terms 'middle' and 'poor' peasant have been used without qualitative relational distinctions. Sharecroppers (nonmonetised tenant-cultivators) have often been classified as peasants rather than a type of landless cultivator, sometimes because they may still be marginal landholders (though the same applies to any element of the semi-proletariat) and sometimes perhaps because tenancy gives them a possessory interest in the land. However, in so far as they are tenants who can be evicted at the will of the landowner, they must be distinguished from peasant owner-cultivators; the two relations distinguish between two fundamentally different classes.

The difficulties ultimately stem from a failure to treat both capital and labour as *social relations* which remain whether the categories under consideration are at a higher or lower level of development. Moreover, a particular form of capital does not automatically imply a particular form of labour, since, for example, the condition of divorcement from ownership of the means of production is a necessary, though not sufficient, condition for proletarianisation. Serfs and tenant-cultivators neither own the means of production nor sell their labour power as a commodity. This suggests that the emergence of capitalist relations from a pre-capitalist mode of production cannot be viewed as an all-or-none event, but rather as a gradual progression in which the necessary conditions for its emergence are individually satisfied.

This raises another fundamental question. In a situation of integrated development, as in the metropolitan centres, the emergence of relations associated with a new mode of production is usually predicated on the disintegration of the old mode. However, when two different modes come into sudden contact, neither at the outset in obvious distintegration, to what extent do there arise mixed features of both modes and to what extent do the various changing social relations behave as coupled or independent variables? Added to the problems posed by external perturbations on the evolution of peripheral social formations, these internal factors necessarily complicate any attempt to define the mode of production in Indian agriculture in terms of the dominance of a single primary mode of production. A systematic approach to dealing with these questions will be developed in succeeding sections.

An analysis of the motive forces in Indian industry is also confronted with the problems arising from the interaction between at least two modes and the interaction between imperialism and domestic capital. For example, given the level of surplus accumulation in many industries of the private sector, the rate of capital formation and modernisation has been comparatively low. The reasons for this are to be found in much more than simply bureaucratic licensing procedures, corporate tax structure, or the unreliability of infrastructural inputs like electricity, water supply, communications. Limitations are imposed on the export expansion of Indian private industry by the greater efficiency and resources of the giant multinational corporations, often backed by the political and military clout of their home governments. Even the relative success of export promotion since 1975 has been accomplished primarily by public sector units whose exports are often subsidised, as in the case of steel,[7] and whose capital formation is largely financed by the public exchequer. In the domestic market the comparatively lucrative 'low priority' or 'luxury' sector, as well as sectors of such k industries as pharmaceuticals, rema dominated by multinationals a foreign capital. On the other han limitations on the growth of swades Indian capitalism are also imposed b the sluggishness of pre-capitalist rel tions and their failure to generate ma purchasing power in the vast countr side. Moreover, regardless of th degree of penetration of capitali relations in agriculture, capitalist int rests have been largely unable to acc lerate the demand for their industri goods in the rural areas (with perhap notable exceptions in Punjab an Haryana). It is even readily observe that in areas where demand is stable such as cotton textiles, the organise private sector has been generally reluc tant to invest in modernisation, wit the resultant failure of numerou 'sick' textile mills in the late 1960s an 1970s. Some private resources tha might have otherwise gone into mo dernisation of basic industries, o course, have been diverted into lucra tive capital-intensive alternatives fo which there is usually a more limited market, such as synthetic fabrics There remains a tendency in private industry in India to optimise profits a the expense of productivity and pro duction rather than to optimise al three as is the tendency with metropolitan capitalism. A key element of advanced extended reproduction is usually lacking, namely research and development, either by the private sector or transfer from the national laboratories. Besides the organised private sector is a large 'unorganised' sector of petty producers. According to the 1971 Census, of all workers in manufacturing, processing, servising, and repairs 37.2 per cent were classified under household industry — suggesting a large fraction of industry still involving pre-capitalist relations of production. Thus, Indian industry too must be viewed in the overall context of the interaction between two modes of production. Even capitalist industry cannot be analysed apart from the existence of pre-capitalist relations, whether in industry itself or in agriculture, and without considering the effect of such relations on the entire domestic market economy.

Yet, while India differs fundamentally from the metropolitan capitalist countries in respect of both agriculture and industry, there are also significant deviations from the pattern of many other peripheral countries. In addition

to petty cultivation by the vast numbers of small peasants and tenant-cultivators utilising primarily family labour, there has existed a sizeable percentage of hired labourers employed by larger landowners since well before independence. Of the population supported by agriculture, the various census figures from 1921 to 1961 showed roughly 20-30 per cent deriving their livelihood primarily as farm labourers (both attached and free) with the figure for 1971 rising well above this.[8] Though direct comparison of these figures is often made impossible due to changes from time to time in the census definitions of occupational categories,[9] they do provide a useful order of magnitude showing that the situation in India stands in sharp contrast to the situation in a country like China before 1949, where the percentage of tillers working as agricultural labourers was less than 2 per cent according to several estimates.[10]

Furthermore, the significance of the industrial and commercial proletariat in India is considerably greater than it is often made out to be — not only in absolute terms but also in percentage terms. Considering that, according to the 1971 Census, those engaged in manufacturing (excluding household industry), construction, transport, storage, communications, and mining constitute 10.1 per cent of the total workforce, and that this figure excludes another 5.6 per cent engaged in trade and commerce (most of whom are petty traders and work in family enterprises), it is not at all unreasonable to conservatively estimate that the industrial and commercial proletariat comprise roughly 10 per cent of the total labour force. Again this is in sharp contrast to an equivalent proletariat in pre-1949 China amounting to less than 2 per cent of the total workforce[11] (despite possible differences in the definition of categories). With the world's third largest reservoir of scientific and technical manpower (despite its unemployment and severe underutilisation), India is unlike virtually any other peripheral country (including pre-1949 China) in its potential for capital goods production and export, and hence, in its technical potential for self-reliant development. While foreign multinational corporations continue to extract a large surplus value in absolute terms from Indian workers, the post-colonial scene is one in which the multinationals play a relatively minor role in the industrial, not to mention total, output of the country. Unlike such countries as Indonesia, Malaysia, Singapore, Philippines, Taiwan, South Korea, Iran under the Shah, Saudi Arabia, Kenya, Zaire, Morocco, and most of Latin America, the multinationals account for roughly one quarter of production in the organised private sector and less than 8 per cent of the net national product in post-colonial India (though this excludes the less quantifiable indirect forms of foreign dependence).

Thus, the Indian social formation appears as a rather complex assemblage of pre-capitalist forms of production, indigenous capitalism, and imperialism. The question is: Which is dominant? Which is the primary motive force that will shape the mode of production and the nature of the State in the years to come (assuming, of course, that a socialist revolution does not intervene)? This exercise suggests the need to examine the dynamics of interaction among at least two primary modes of production and the historical background to their emergence.

III
Historical Background

There has been considerable controversy over the precise nature of the pre-capitalist mode of production in India before the arrival of the British, as well as the propensity of that mode to develop capitalist relations of its own accord.[12] Undoubtedly, part of the confusion stems from the existence of a wide diversity of forms of proprietary, land-revenue, and tenancy rights. In particular, Marx's characterisation of India having primarily an 'Asiatic' mode of production appears to be a marked oversimplification as well as quite incomplete. The key element of the notion of the 'Asiatic' mode of production is the relatively self-sufficient village community into which peasants (and artisans) are organised with proprietary rights to the land (the essential means of production) held by the village community as a whole. Besides the peasantry, there is an exploiting central authority which exacts a (generally noncommodity) tribute from the village communities. This is clearly distinguished from the feudal mode of production which had reached full development only in Western and Central Europe and Japan. The feudal mode is generally characterised by the existence of a class of landlords holding inalienable property rights exacting either ground-rent or labour from tenant-cultivators or serfs through means other than commodity relations.

Mode of Production in Pre-British India

Assessing the relative importance of these two pre-capitalist modes in pre-British India is fundamental to understanding the potential of the socio-economic system to give rise to the evolution, or resist the imposition, of capitalism. This is particularly true if one presupposes, as Marx does, that the preconditions for the development of capitalism out of a pre-capitalist mode include: (1) rural social relations which make a mass of cultivators potentially convertible into 'free' labourers (who have nothing to sell but their labour power and are free to do so), (2) accumulation of surplus (from usury, unpaid labour, ground-rent, trade, etc) which are potentially convertible into capital, and (3) an independent class of artisans engaged in nonagricultural commodity production.[13] For example, with regard to the first precondition, if for some reason a feudal landlord should evict his tenants or 'free' his serfs, these latter would be reduced to membership in the proletariat. By contrast, Marx observes:[14]

> The Asiatic form necessarily survives longest and most stubbornly. This is due to the fundamental principle on which it is based, that is, that the individual does not become independent of the community; that the circle of production is self-sustaining, unity of agriculture and craft manufacture, etc. If the individual changes his relation to the community, he modifies and undermines both the community and its economic premise; conversely, the modification of this economic premise produced by its own dialectic pauperisation, etc.

Thus, if the premise is granted that the 'Asiatic' mode of production was the dominant form in pre-British India, then it may not be unreasonable to argue that the British presence spurred the development of capitalist relations that would not otherwise have immediately evolved out of pre-existing Indian society. This argument would also apply if one considers that the 'Asiatic' mode was forcibly displaced by the feudal mode at the outset of British rule. On the other hand, if the premise is granted that the feudal mode of production was dominant before the arrival of the British, then it may be reasonable to argue that India would have by now achieved a similar or perhaps greater degree of capitalist development (depending on the extent of early commodity produc-

tion, monetisation, concentration of surplus wealth, etc) even without any contact with the British or foreign capitalism. This would be compatible with the view of British colonialism having a dual impact of both imposing and retarding capitalist development in India such that its *net* effect was neither particularly to advance nor delay the final outcome — rather mainly to severely distort it giving rise to the peculiarities of peripheral capitalism.

While a full enquiry into the subject is much beyond the scope of this discussion, further progress in this analysis necessitates some historical perspective of the relevant features of the mode of production in pre-British India. Much of the evidence has been ably assembled and interpreted by Irfan Habib.[15]

From at least the third century BC during the Mauryan Empire, many of the familiar features of landed property (though certainly not private property under bourgeois law) had already come into being. In addition to some village community landholdings, there were individual peasant landholdings, and lands held by the king and various wealthy noncultivating classes (including some merchants and usurers) who often controlled whole villages and on whose lands were engaged slaves, serfs, sharecroppers in various sharing arrangements, and day-labourers. Cases of dispossession of land add further evidence of *de facto* private ownership.[16] This period also appears to have been marked by the rise of towns with concentrations of artisans, and the growth of commerce and monetisation.

It appears to be inadequately understood why the period following the Mauryan Empire should have witnessed the consolidation of individual peasant cultivation within village communities, the migration of artisans to the rural communities giving rise to a more closed self-sufficient village economy, and the decline of the hold of superior landowning classes (along with the decline of the central authority of the king). Given the periodic references to serfdom and rural exploiting landholders in succeeding centuries, it is difficult to deduce that a decline in rural class stratification could have been the general pattern throughout the vast subcontinent. In the 10th-12th centuries, there is evidence that private individuals could alienate land from an occupant without the consent of the king. It is reasonable to assume that they had the legal right to do so, which is an attribute of ownership.[17] (For the purposes of analysing the mode of production, the pivotal consideration is whether an occupant can suffer *de facto* alienation from the land, which is, after all, the principal means of production. This alone is a sufficient criterion for potential proletarianisation.) In any case, agricultural labourers appear to have persisted — employed at least by certain segments of the peasantry — though they were most probably unfree labourers.

It is not until the 13th century with the Delhi Sultanate that agrarian exploitation is again dramatically centralised and systematised, despite the fact that individual peasant cultivation appears to have remained, by most accounts, the most widely prevalent form of cultivation through the Mughal period. The appropriation of a large surplus from the peasantry through land-revenues gave rise to the share in landed property and increasing rural overlordship, a substantial trade between town and country, cultivation of cash crops, and the growth of the merchant class. In particular, the trend towards collection of land-revenue and rent in cash forced peasants and tenant-cultivators to sell a portion of their crops, causing significant growth in commodity production, monetisation, grain trade, and moneylending. Commodity production combined with some rise in wage-labour bore the seeds of capitalist development from within the womb of pre-capitalist society itself.

The Mughal emperors granted the right of intermediary land-revenue collection from individual peasants to a rural exploiting class while prohibiting interference in the pre-existing land rights in the area. However, the grantees also were assigned lands for their own direct exploitation with the use of hired labour or tenant-cultivators. This and the evolution of a variety of zamindari rights gave this exploiting class rights to the land superior to those of a large segment of actual tillers. While small landholding peasants tended to retain security of occupancy, tenant-cultivators could do so only at the pleasure of the zamindars. Moreover, the emperor and zamindars often exercised the right of preventing a peasant or tenant from abandoning cultivation — in a sense, reducing them to virtual serfdom. Though peasant holdings were not saleable, zamindari holdings and rights were often fully saleable, suggesting a primitive market in land. Habib further observes: "It is almost certain that the *zamindari* right was to be found in form or another in every locality, *pargana*, of the Empire. But whet all lands, or all villages, were cove by *zamindari* is another matter. fact, it seems that in most regions th were villages, termed *raiyati*, or p sant-held, which were not subject any way to a *zamindar*."[18]

Communal ownership or cultivati of land was extremely rare by reliable accounts. However, despi the rise in internal trade and comm dity production, the majority villages appear to have retained a lar degree of self-sufficiency. Thus, whi the compact village community itse survived the Mughal period, Britis rule,[19] and until the present day, i existence as a functional unit Indian society must be distinguishe from property management by th village community as a whole and ab sence of private landownership — both having been long since deepl eroded.

Hence, the mode of production i Indian agriculture just prior to th arrival of the British was rather hete rogeneous, bearing features of both th 'Asiatic' and feudal modes of produc tion, as well as a peasant mode of pro duction. In fact, features of all three were carried well into the period of Bri tish rule.[20] This suggests that the notion that it was the British who first esta blished private property in land is untenable. It may be more realistic to say that the British formalised and institutionalised existing private pro perty rights (in essentially noncommo dity land held by virtue of force), on the one hand, by consolidating land lordism through their systems of per manent settlement, and, on the other hand, by giving legal sanction to bourgeois property rights in the colo nial courts which, in fact, served to uphold the property rights of the land lords.

With the large-scale primitive ac cumulation of money capital occurring through, rent, appropriation of surplus value from agricultural labour, land revenues, usury, the existence of some large-scale handicrafts manufacturing, internal trade, and foreign commerce there were numerous apparent parallels with Western European economies during the same period of time. With agricultural productivity also compar able to that of Western Europe, one is tempted to speculate whether Mugha India was poised to enter its own industrial revolution — only to be interrupted by the colonial plunder

There were, however, several significant differences from the situation in Britain and Western Europe worth noting. First, to the extent that there were elements of an 'Asiatic' mode of production, or at least of a largely peasant-based economy, proletarianisation of the rural population was perhaps one step farther away than would have been the case for a more feudal mode of production in agriculture. Second, unlike Western Europe, the largest part of the agricultural surplus was used for nonproductive consumption, leaving little for productive investment. One might argue that cultural traditions too may play a material role. For example, the custom of granting huge dowries for the marriage of a daughter would have the dual effect of diverting any surplus of a peasant household as well as soaking up usurious loans which money-lenders might otherwise have loaned or used for productive ends. Much of the surplus of the rural overlords was spent on maintaining armies, which when turned against the Mughal emperors led to the deterioration of central authority — a third deviation from the situation in Western European powers. Finally and most importantly, of course, there was the arrival of British colonialism.

Colonial Modes of Surplus Extraction

It was perhaps but an accident of uneven development that technological innovation first placed Europe on the threshold of global conquest — the same Europe that would once have been awed by the ancient science and technology of the Middle East, India, and China. The first period under consideration spans roughly from the 16th century to the mid-18th century — prior to what is generally recognised as the industrial revolution itself. This period was most notably set off, on the one hand, by technological developments in shipbuilding and particularly warfare, and, on the other hand, by such economic developments as increasing primitive accumulation and the geographic expansion of commodity circulation to the scale of nation-states and continents. These simultaneous developments — obviously not unrelated — not only made possible long-distance military expeditions enabling the enrichment of royal and aristocratic coffers through plunder, but ultimately provided further motivation for expansion of commodity economies. First Portugal, then Spain, France, the Netherlands, England, and others embarked on such ventures. This initiated the period of global colonialism during which, as capitalism evolved at the centre, it progressed through several historical stages of development, each associated with a different system of relations between the centre and periphery. We will refer to these systems of relations as 'modes of surplus extraction'.

The first colonial mode of surplus extraction arose out of a distinctly pre-capitalist mode of production in the metropolitan powers despite the early technological advances. It was simply one of open plunder following shameless military subjugation — for example, as practised by the Spanish on the Aztecs and Incas. However, the treasures of gold and silver were readily exhausted and this pattern eventually precipitated its own downfall, giving way to a more rationalised and long-term method of extraction. For the British, transfer of wealth under this mode was relatively minor compared with what was to come, being mostly limited to piracy and coercive 'trade' during the 17th and early 18th centuries. Instead, the development of British colonialism along these lines, already having a relatively late start, was eclipsed by the rise of mercantile capital and a more systematic form of exploitation.

Given the dissolution of the central authority of the Mughal Empire combined with the technical and military superiority of the British invaders, the Battle of Plassey in 1757 marked the beginning of the second colonial mode of surplus extraction in India. With British authority through the East India Company being rapidly extended throughout most of the subcontinent, metropolitan mercantile capital sought to tap and develop existing commodity production in India, displacing indigenous industries with Company factories, driving out competing local merchants by channelling all external trade through the Company, and imposing unequal terms of exchange with which to force an export of surplus to the metropolitan centre. (India had been a net exporter of cotton manufactures and other goods since long before the arrival of the British. Indeed, it was to gain a monopoly in the lucrative trade of Indian spices and textiles in Europe that the East India Company had first come to India.) Even then, this export was not to be paid for by the metropolitan power, but by land-revenue assessments through which colonialism came to base itself firmly on a newly-consolidated feudal power structure and semi-feudal mode of production, particularly in the areas of 'zamindari' and 'mahalwari' settlements. Thus, even a Governor-General of India of the time, Sir John Shore, came to observe: "The Company are merchants as well as sovereigns of the country. In the former capacity they engross its trade, whilst in the latter they appropriate the revenues. The remittances to Europe of revenues are made in the commodities of the country which are purchased by them".[22] The methods of plunder had become more sophisticated and more viable over the long-term — based no longer on mere pillage of existing wealth, but on the harnessing of the entire productive process in the periphery. On the one hand, the increased expropriation of agricultural surplus denied any possibility of indigenous productive investment and capital formation in Indian agriculture. On the other hand, making use of enforced cheap local labour, the East India Company sowed further seeds of capitalist development by its limited import of capital and by bringing workers together in a collective manner of wage labour in the Company's factories, indigo plantations, coal mines, dockyards, and means of internal transport. Without the transfer of surplus from India to England in this period — giving a vital boost to accumulation in the centre — it is doubtful that the industrial revolution could have matured, or at any rate matured as rapidly as it did, in England.[23]

This second mode is the first phase of what has been termed the 'colonial mode of production' in which a formerly self-reliant, and in some respects self-sufficient, economy was in large part uprooted and integrated into a colonial form and scope of grossly asymmetric generalised commodity production. The peripheral economy became internally disarticulated, i e, many of its elements of production and consumption no longer exchanged directly and internally, but rather only through their separate exchanges *via* the metropolitan centre. Moreover, unlike the old economy of simple reproduction, extended reproduction and capital accumulation take place, *albeit* very asymmetrically and overwhelmingly in the metropolitan centre. Thus, the *overall* characterisation of the Indian social formation could no longer be considered simply semi-feudal or pre-capitalist (and obviously neither

integrated capitalist), but rather in large part a specialised peripheral component of the colonial mode of production.[24]

By the early 19th century, the advance of the industrial revolution itself brought about a third colonial mode of surplus extraction. As the textile mills of England, in particular, became productive and profitable on powerlooms and the underpaid labour of the emerging British working class, competing handloom mills in India were no longer in the interests of the ascendant British industrial bourgeoisie. This demanded a transformation of the colonial economy from one of mercantile capitalism to one of 'free trade' and industiral capitalism based on the exploitation of captive markets. In 1813 came an initial triumph of industrial capitalism over mercantile capitalism when the East India Company's monopoly in trade with India was abolished. India was rapidly transformed from a net exporter of manufactures into a huge net importer. By 1850, fully one-fourth of all British cotton exports went to India. A new division of labour was imposed with the ruination of India's manufacturing and the conversion of the country into a supplier of only the raw materials needed by British industry. Thus, a model colonial economy was created and the development of capitalism not only retarded but fully arrested during the first part of this phase. Yet, as it was doing this, colonialism was also exposing through expansion of commodity circulation the many hitherto largely isolated Indian villages to the whims of the world capitalist market (resulting from time to time in massive famines). The displacement of craftsmen by the flood of imported manufactures and the phenomenal growth of tea and coffee plantations were sources of proletarianisation, This was the period in which the laying of extensive railway and road networks was begun, guaranteeing political subjugation, movement of raw materials and foodstuffs to the ports, a captive market for British manufactures, and an operating profit for British investors. Thus, the export of capital from Britain to India was basically of an infrastructural nature, while export of industrial capital (e g, factories) was inhibited.

With the obsolescence and decline of the East India Company, certain 'reforms' were instituted — though not for the people of India, but rather to enable more efficient administration of the colony and as a necessary complement to economic and political domination in this colonial mode. English education was promoted after 1813 and Indians were brought into the civil administration to reduce costs.[25] This more advanced pattern of colonialism far more deeply disrupted the Indian economy and society than the former more haphazard plunder. But bringing the entirety of India under one rule was, as Marx put it, "the first condition of its regeneration", and the building of the colonial infrastructure could only serve "to lay down the material premises", for the eventual progressive development of a future independent India.[26]

However, even in this phase, which lasted until the late 19th century, British industrial capitalism could not be said to have assumed true monopoly character, i e, the character of modern imperialism. The emphasis at this stage was the consolidation of the metropolitan industiral base by taking full advantage of the captive markets of the colonies. But the emphasis began to change as a two-fold transformation came about in the market forces within both the centre and periphery, and in the decline of Britain's formerly unchallenged supremacy in the world capitalist market. As the productive forces within the centre, fed by the third colonial mode of surplus extraction, accumulated capital and fostered what is sometimes referred to as the 'second industrial revolution', an increasing capital surplus became available for export. (However, during the last three decades of British rule in India, war and depression-ravaged Britain exported capital not so much because of a capital surplus generated through extended reproduction in the metropolis, but rather on the basis of reinvestment of the direct profits of colonial surplus extraction.) The concomitant rise of the British trade union movement also won significant raises in the price of labour power, though only in the course of arduous and sometimes violent struggles. British investment in India accelerated in the late 19th and early 20th centuries particularly in railways, rubber plantations, jute mills, and coal mining. Despite the enormous obstacles placed by colonialism, this period also witnessed the emergence of an Indian bourgeoisie under which, for example, cotton mill looms multiplied by over 7 fold between 1880 and 1914. By 1914, India ranked fourth in the world in cotton manufacturing though Indian mills still produced only 25 per cent of domestically-consumed mill-produc cotton.[27] This was, in part, made po sible by the Swadeshi Movement whi called upon Indians to use domes manufactures, especially, cloth. Th was accelerated during the First Wor War when British capitalism fac difficulties in supplying the India market from Britain and the war e fort demanded the mobilisation of i dustrial as well as raw material r sources in the colonies. For the entre ched British industrial capitalist inte ests, three factors created new marke conditions: (1) the earlier domesti capital surplus stimulated the expor of capital to the periphery where capi tal was relatively scarce; (2) the lowe wages and cost of raw materials in th colonies made this export of capita attractive by lowering the costs o production abroad; and (3) unsatisfie markets were ready to be filled in th colonies. These constituted the mate rial conditions for the consolidation of the fourth and final colonial mode of surplus extraction: modern monopoly capitalism.

Monopoly capitalism has, of course, outlived its colonial womb and continues to be viable in the present post-colonial era — its periodic crises notwithstanding. In India, however, the material foundations for the development of an Indian bourgeoisie having been laid, the interests of major sections of this class came into direct conflict with those of British monopoly capital — giving rise to the former's sponsorship of the Indian National Congress. Weakened by the Great Depression and the Second World War, the global dominance of British capitalism came to an end in the face of other capitalist powers like the United States, France, Germany, and Japan. By 1934, Indian mills produced 75 per cent of mill-produced cotton and 75 per cent of all steel consumed in India.[28] While the Second World War served, on the one hand, to obstruct development through the acute drain of industrial and agricultural resources, on the other hand, some new heavy industries (e g, automobiles and shipbuilding) emerged partly as a result of the 10-fold expansion in war expenditures, industrial employment rose, and most of all profits for both the Indian bourgeoisie and British capitalists skyrocketed. Britain being unable to continue to assert its political control over India, formal independence came in 1947 but generally preserved the economic interests of the British capitalists as well as the institutions of the State bureaucracy.

This also opened the way for further growth of the Indian bourgeoisie as well as a rise in the relative importance of non-British foreign capital in the country. It is this historical background which provides the context for the superposition of two primary modes of production — capitalist and pre-capitalist — in post-colonial India, with the bourgeoisie having a dual character *vis-a-vis* imperialism.

This theoretical framework allows us to make some corollary observations with which to help place India's development in the perspective of post-colonial social formations in general. All colonies did not necessarily experience all four modes of colonial surplus extraction as outlined above. The Portuguese colonies in Africa hardly touched the fourth mode because of the nature of the period of contact between the metropolitan power and its colonies, and the stage of historical development of the former during this period. Portuguese metropolitan capitalism was in the midst of the stage of building industrial capital — this process having stagnated as a result of Portugal's developmental lag as part of the 'semi-periphery') behind the more advanced industrial powers of Northwestern Europe and North America. Portuguese colonialism was then interrupted, on the one hand, by the rising tide of African nationalism and, on the other hand, by an abrupt transition in State power fuelled by the economic stagnation within Portugal itself. Thus, such countries as Angola and Mozambique never really experienced the fourth mode, and hence never developed a strong native bourgeoisie and entrenched capitalist mode of production. This has also been the pattern in most other colonies (including British) in Africa, though for other reasons. The lack of large-scale landed property and pre-existing commodity production gave rise to a more crude and simple form of colonial subjugation, inhibiting the pattern of development of infrastructure, industry, education, and urban bourgeoisie seen in colonial India. With the extremely limited and fragmented markets of sub-Saharan Africa, the mode of post-colonial imperialist exploitation remains economically at the level of the third colonial mode with its traditional pattern of foreign investment largely limited to extractive industries.

Superposition of Modes of Production

One significance of the fourth mode lies in its role as the strongest force serving to lay the material foundations for capitalism and in certain respects to impose capitalist relations from above. As we have seen in the second mode, metropolitan mercantile capitalism served to fertilise the existing seeds of peripheral capitalism, destroy others, and sow a few new ones, but only to an extent inherently limited by the level of development of mercantile capitalism itself. By contrast, under the fourth mode an entire network of dependent capital, associated productive forces and relations, and industrial and commercial proletariat had to be built up to service the needs of surplus extraction and accumulation based on export of capital to India by metropolitan industrial capitalism. The class of Indian capitalists, born out of imposed colonial socio-economic relations, produced by its own dialectic a section asserting itself in the teeth of British opposition, growing in size and power during a period encompassing the world wars, and seeking for its own interests a path of independent capitalist development. However, owing to its relative weakness in the face of financially, technically, and operationally superior post-colonial imperialism, and retarded by the market limitations of the still prevalent feudal and semi-feudal society, the Indian bourgeoisie has never been able to fully achieve a path of independent development. Thus, unlike capitalism at the centre, Indian capitalism did not evolve of its own accord out of feudalism, consolidating itself on the ashes of the latter, but was, in a sense, 'superposed' on a pre-capitalist mode of production. This is, as we will see, a wholly inadequate description in itself, but it is the starting point for what eventually emerged out of the colonial mode of production. At the same time, the realities of the super-position of two modes (despite their long-run inherent contradictions) forced their respective exploiting classes into an accommodation whereby all but the princely layer of the feudal power structure remained intact while transfers of surplus value could continue to be effected not only in capitalist enterprises but also in transactions with the formations of the pre-capitalist mode. Unlike many other peripheral countries this was accompanied by the development of a sizeable proletariat not only in absolute terms but also in percentage terms. On this rested the most populous capitalist base in any peripheral social formation in the world. Because of the dominant position the Indian bourgeoisie came to hold along with the feudal landlords in post-colonial India, it would be a gross over-simplification to merely label India as 'semi-feudal'.

IV

Debate over Mode of Production in Indian Agriculture

The progressive integration of the semi-feudal agricultural sector into a rapidly-developing commodity economy based in the cities and on imperialist trade poses the question as to what extent capitalist relations have penetrated into Indian agriculture today. Can a system of criteria be established for meaningfully identifying capitalist farmers, and, if so, how many farmers are capitalist? Perhaps more significantly: can a capitalist trend be identified, and, if so, what form might capitalism in India take?

Necessary and Sufficient Conditions

The first stage of analysis involves empirical studies both in search of manifestations that have come to be associated with a capitalist mode of production, and in search of trends. Several approaches, lacking reference to concrete data, have led to black-and-white conclusions. Some, at one end of the spectrum, have asserted that Indian agriculture effectively has not been, and is not being, penetrated by capitalist relations. They cite usurious capital and the perpetual indebtedness of poor peasants, sharecroppers, and serfs as being the major features of semi-feudalism serving to prevent the transformation of labour power into a commodity, the reinvestment of surplus in capital formation, and the expansion of commodity production.[29]

At the opposite end of the spectrum, it is argued that Indian agriculture is characterised as capitalist or that capitalism has emerged on the basis of single criteria. Frank argues that if extended reproduction and accumulation are criteria of capitalism, then the drain of agricultural surplus first to Britain and then to domestic non-agricultural sectors after independence qualifies Indian agriculture as capitalist simply by virtue of it being part of the imperialist economy.[30] Not only does this hypothesis ignore local specificities in the relations of production, but it forgets that despite the

growth in agricultural commodity production since the arrival of the British, only about 35 per cent of all agricultural output was marketed as late as 1951-52.[31] The percentage has grown since then, especially since the mid-1960s with the 'green revolution', but continues to reflect the dual character of Indian agriculture producing comparable amounts for both the market and consumption within village communities. Gentleman farmers, while small in absolute numbers, have also been seen as a dynamising force for the development of capitalist farming though no systematic study has demonstrated this.[32] Amin takes a milder general position in saying that by virtue of the world capitalist system and its determinant role in the relations of exchange between the centre and periphery, the capitalist mode of production is 'dominant', though not 'exclusive', in the periphery.[33] As we shall see, such a characterisation of undifferentiated 'dominance' and emphasis on the relations of exchange at the expense of the relations of production as it applies to India is overly simplistic and leaves much unanswered.

Other studies, employing empirical data indicating a substantial percentage of hired wage labour associated with capital investments and large-scale farming, have concluded that capitalism exists in Indian agriculture on a large scale.[34] It is argued that the reduction of labour power to a commodity alone is both a necessary and sufficient condition for capitalism since it constitutes the 'essence' of capitalist relations.[35] Moreover, it is proposed that in the presence of extensive commodity production, the existence of wage labour brings about capital investment,[36] on which basis one may conclude that extensive commodity production and wage labour (generalised commodity production) are the only prerequisites for the widespread existence of capitalism in Indian agriculture.[37] While hired wage labour is perhaps the most important sign of capitalism from the standpoint of class relations (i e, existence of a proletariat) and mode of social exploitation, it is far from being a sufficient condition according to Marx's definition of capitalism. Capitalism involves buying labour power with the ultimate objective of augmenting capital rather than merely satisfying the immediate consumption needs of the buyer of labour power.[38] It is only when the latter criterion is satisfied that accumulation and extended reproduction can take place. The existence of a labour market, of course, facilitates this process because wage labour can be hired at will when production expands, and laid off at will when, for example, production intensifies due to increased mechanisation. However, even a labour market is not absolutely necessary for this process. Feudal landlords, though to a more limited extent, have been able to expand both their landholdings as well as the number of tenants whenever poor peasants could be driven off much of their already meagre landholdings through indebtedness or force. A market in humans (i e, slavery) served the needs of capital accumulation and extended reproduction on the plantations of the Southeastern United States until the mid-19th century. Thus, while wage labour is by definition a necessary condition of capitalism, it is not a necessary condition of accumulation and extended reproduction. Stated another way, generation of surplus value and its reinvestment in capital, in general, neither requires nor effects the transformation of labour power into a commodity. In the context of an *integrated* transitional process from petty commodity production to advanced capitalism, Marx observed that the process of generalised commodity production creates conditions for the generation of surplus value and its reinvestment.[39] In a situation where all the basic prerequisites of capitalist development advance more or less simultaneously — social differentiation of the population, proletarianisation of labour, expansion of commodity production and of the home market, surplus accumulation and its reinvestment in capital — these elements are inseparable parts of a single self-perpetuating process. To such conditions in agriculture the laws formulated by Kautsky and Lenin would appear to apply.[40] However, under combined development in which two modes of production with different bases compete and impose pressures on the dynamics and inertia of each other, the evolution of capitalist relations is severely distorted — simultaneously accelerated by imposition in some areas and retarded in others. Thus, the uneven development of the various aspects of capitalist relations is the logical outcome of combined development as it exists in India. Whether in the semifeudal relations of agriculture or in demand-starved industry (due, at least in part, to the economic stagnation inherent in the former), the extraction of surplus value all too often tends to be optimised without consequent reinvestment in capital. The reasons for include incomplete development commodity production, severe lim tions in the home market and ske social distribution of its demand,[41] the relative inability to alternati create export markets in the face foreign competition — a dilemma m more characteristic of the periph than the centre. Hence, such a q tion as whether the emergence of w labour necessarily begets capital inv ment in India must be asked with sp fic reference to two competing and teracting primary modes of product in a peripheral country. The prese of either wage labour or capital for tion may be individually considered *dications* of capitalist development, just because both factors are integ to the definition of capitalism is reason to assume that one necessa implies the other. Moreover, hir wage labour may also exist qu independently of commodity produ tion as in the case of hired perso servants.[42] Thus, generalised comm dity production itself need not evol from simple commodity production, b rather may have wage labour as starting point.

Integrated versus Combined Development

Much of this type of confusion aris from the entirely proper Marxist notio of considering capital (and wage labou as well) primarily as a relation betwee classes. As Marx noted, an owner money can turn it into capital only b buying labour power which is bot free to be purchased (not attached) an from one who has nothing but his la bour power to sell.[43] On this basis, is argued that the existence of hire wage labour is a necessary and suff cient condition for the existence capital, and moreover that it inevitabl gives rise to the emergence of capital a a relation. This may be so if we tak as the starting point an owner of mone who has possession or control of n labour power (other than his own), an for whom the only alternative source of labour power are already attache (family labour or serfs). Here we ma ask the question: do not the slave owner, master of serfs, and lessor capital to tenant-producers also hav the potential to reinvest their surplu and thus generate capital? Moreover except for the master of serfs, the othe owners of money deal with a marke through which labour power and capita can be linked (labour power can b purchased, humans can be purchase

tenant-producers can be contracted), d hence the scale of their produce operations can be expanded. This, turn, is a necessary condition for the imited growth of capital. With the nefit of historical perspective, it may observed that owning slaves and ntracting tenant-producers are rarely timal modes for growth of capital. vertheless, this proves that hired ge labour is not a necessary condin for the existence and growth of pital — only a generally more opti-l condition. Even under conditions commodity production, there is no neral socio-economic law that makes perative the generation of capital. r example, a 'middle' peasant or all shopkeeper may hire a wage laurer in place of some family labour, may still have insufficient surplus incentive to reinvest in capital. Even the act of hiring a wage labourer elds additional surplus value, he may ll prefer to use that surplus value consumption purposes.

Here it is appropriate to make a disnction between *a priori implication* d a *tendency to imply under conditons of integrated development*, e g, an emerging mode of production. he first phrase indicates that regardss of the context, one condition comls the emergence of another. The cond phrase says that under conditons where processes internal to a stem advance without external impements and in an integrated manner, he condition tends to give rise to nother, for example, because the two e mutually reinforcing as in a positive feedback loop. It appears that the tter statement is a more appropriate escription of the cause-and-effect retionship between wage labour and apital formation in general.[44]

We may say that a set of relations f production (e g, capitalist relations f production) has within it separable *pects*. For example, if hired labour oletarianisation) is the only aspect tisfied, then we can only say that apitalist development has occurred in he of its aspects; we cannot say that is alone is a sufficient condition for e development of capitalism and cerinly we cannot say that capitalism has veloped in all of its aspects. In fact, e fullest development of capitalism, , monopoly capitalism, requires the tisfaction of additional aspects that e have not yet even considered, in rticular the aspect of the export of pital. Like the consideration of capil as a relation, consideration of the pects of a relation is also independent of whether the aspects are at a higher or lower level of development. These aspects may themselves be relations between classes — relations of production that together with the forces of production characterise the stage of development of a mode, or modes, of production in a given social formation.

If there is one lesson to be drawn from this exercise, it is that mechanistic approaches, including in the application of 'Marxist' concepts, must be avoided. Systems can be understood only by first looking at their component factors, and then distinguishing among necessary, sufficient, and optimal conditions under which one affects another. Thus, we may ask whether wage labour, capital formation, and commodity production are *a priori* independent variables whose development is coupled only under specific circumstances; and if so, what is the nature of the coupling?

Consider the following conceptual analogy. In case I, the variables x and y are coupled absolutely by a linear equation of the form

$$y = Kx + C \qquad \ldots\ldots [1]$$

where K and C are constants with $K \neq O$. Any change in the value of x is immediately reflected in the value of y, and *vice versa*. This may be likened to the case where capitalist relations evolve in an integrated manner under the internal dynamics of a given social formation. In case II, x and y may be said to be statically-independent and only dynamically-coupled. An external agent may arbitrarily clamp the value of x without altering the value of y, or *vice versa*. The internal dynamics may then be described by an equation of the form

$$\frac{dy}{dt} = K\frac{dx}{dt} + C \qquad \ldots\ldots [2]$$

such that an internal change in x over time (t) is reflected in a change in y with time. This may be compared to the situation in which capitalist relations are imposed unevenly in different relations or aspects by external clamping (impact of one mode on another), thereby establishing often distorted initial conditions. As the clamping is removed as a result of changing patterns of dominance between the two modes, the internal coupling between two aspects, x and y, of incipient capitalist relations assumes the determining role in governing the relationship between x and y. If the system is allowed to develop under its own dynamics without further external clamping, it may asymptotically approach the situation in case I: integration of equation 2 yields equation 1 except for a difference due to C and the constant of integration. In effect, this model suggests that the form of peripheral capitalism can, at best, asymptotically approach the form of metropolitan capitalism; at worst, there will be a permanent minimum, or even widening, gap between the two. On this basis, it may be reasonable to say that such variables as wage labour, capital formation, and commodity production are *a priori* independent but indirectly coupled in a manner analogous to equation 2.

Naturally such a simplistic model does not venture to predict which path best describes the future relationship between India and the metropolitan powers, for such is a very complex question. In India today, the 'clamps' of semi-feudalism and imperialism, though they have been eroded, have been far from completely removed. Moreover, the 'clamps' themselves are not unaffected by the pressures of peripheral capitalism.

Mixed Relations of Production

Several empirical surveys have yielded data on the correlation among variables which may be useful indicators of capitalist development in Indian agriculture. While the data yielded similar results, the conclusions drawn by different analysts were quite divergent. Using data on farms of over 20 acres in Punjab, Rudra's five criteria attempt to quantify (1) the productivity of cultivation, (2) the relative incidence of wage labour involving cash compensation, (3) the use of modern capital equipment, (4) the extent of commodity production, and (5) the profitability of operation. Except between productivity and profitability, no strong positive correlation among any pairs of variables was found — which, according to Rudra, indicates that no group of capitalist farmers can be identified.[45] It has been suggested that a lack of correlation may be due, for example, to a farmer who buys a tractor and thus reduces his employment of wage labour.[46] Chandra's analysis of data for villages in West Bengal, employing similar criteria, again yielded little correlation.[47] Patnaik, using effectively the same criteria as Rudra in a survey of big farmers in five states, arrived at essentially the same raw results. However, by lowering the threshold for satisfaction of each individual criterion to "above average", a significant degree of positive correlation was claimed, and,

hence, it was concluded that capitalist farmers are indeed emerging.[48] As has been pointed out, these analytical approaches make the fundamental theoretical mistake of not treating capital, wage labour, and commodity production as qualitative relations.[49] Instead, attempts are made to identify capitalist characteristics depending on an arbitrary threshold which measures only whether the characteristics are at a higher or lower level of development. Moreover, these approaches, in attempting to identify and isolate capitalist farmers, ignore the significance of transitional forms characterised by mixed relations of production. Nevertheless, it is widely recognised that, on the one hand, a long-term capitalist impulse exists in Indian agriculture though, on the other hand, this impulse is greatly weakened by enormous unemployment and underemployment in the presence of semi-feudal forms of production and exploitation.[50] That such a state of affairs should give rise to a wide variety of mixed relations is supported by considerable evidence.

Mixed relations of production at the level of an individual fall into two general categories: mixture among relations (series-mixed relations, e g, a mixture between a capitalist form of capital and a feudal form of labour) and mixture within a relation (parallel-mixed relations, e g, a mixture of capitalist and feudal forms of labour). (The utility of making this distinction will become more evident as this thesis is developed.) In the first category fall the raw results of the above correlation analyses, in which a given farmer may exhibit one or more capitalist relations of production while other relations remain pre-capitalist. In West Bengal and Bihar, it is quite common for landlords to share the costs of capital inputs (including use of high-yielding varieties of foodgrains with their higher requirements for chemical fertilisers, pesticides, and irrigation) with sharecroppers, and this arrangement appears to be taking the place of absentee landlordism. Thus, landlords may play an active role in capital formation without hiring wage labour. In other cases, where sharecropping arrangements call for the tenant to provide for most of the costs of production, landlords are giving more and more low-interest and even interest-free production loans. In some areas, interest-free consumption loans to both tenants and hired labourers also appear to be becoming widespread.[51] This suggests that even those landlords who rely on tenancy for cultivation are taking an interest in maximising production through incentives rather than merely attempting to maximise surplus extraction through usury and other forms of semi-feudal exploitation. Conversely, there is a widespread pattern in which dominant landlords are diversifying their activities by simultaneously hiring wage labour while engaging in usury on the side.[52] In the overall perspective, of course, it is well to remember that the classical feudal landlord and usurious moneylender are far from extinct, for example, in the hinterlands of Uttar Pradesh and Orissa. Another example of mixture between relations or aspects is quite prevalent among hired agricultural labourers in Punjab (and all over India) who are paid partially or totally in kind rather than in cash.[53] Here labour power has full commodity character because it is free to be bought and sold, yet to the extent that the labourer directly consumes his payment in kind (typically most of it), he does not contribute to commodity exchange and circulation.

With regard to mixture within a relation or parallel-mixed relations, there are many examples of mixtures of forms of capital and mixtures of forms of labour. In the heart of the 'green revolution' region of Punjab, many landlords invest their surplus in both tractors and high-interest loans.[54] It is widely known that there are feudal landlords who invest some of their surplus in capitalist industry and commerce.[55] A landholder may simultaneously employ wage labour and any of several forms of attached labour on self-managed portions of his land, while leasing out other portions of land to tenant-cultivators.[56] A marginal owner-cultivator household may engage in sharecropping or wage labour to supplement its otherwise insufficient livelihood.[57] It is typical for bonded labour, unattached wage labour, and tenancy to co-exist within a single landless household in Assam[58] and Andhra Pradesh.[59] In parts of northern Bengal, the simultaneous insecurity of tenancy and high unemployment results in considerable interconvertibility between wage labour and tenancy — thus, blurring the class character of such a social stratum.[60] (These situations, which may be described as mixtures within the relation defined by the form of labour, must be distinguished from the common situation of a wage labourer who is 'effectively attached' to an employer merely because of the high level of unemployment. In the latter case, the labourer retains the right — even if the probable alte tive is unemployment — to witho the sale of his labour power to the ployer, and hence his labour powe qualitatively a commodity. Here relation is *not* mixed, though we m say that the commodity character labour power is at a low level of velopment.) Finally, perhaps the r paradoxical of all parallel-mixed r tions is the phenomenon of sellers labour power themselves purchasing bour power from yet other workers

In any analysis of the real world, course, it is necessary to maintain sense of the total perspective. Desp the prevalence of mixed relations, would be wrong to conclude that variables are totally independent a hence, randomly scattered in some an chistic fashion. For example, if cert data are averaged over whole villag a significant degree of correlation observable between the use of rela vely advanced technological inputs a the incidence of landlessness, wage bour, and interest-free loans.[62] T vast diversity of mixed relations wou appear to support the hypothesis th in the short-run the different variabl are at best indirectly coupled, an moreover, that under two primary m des of production a relation may itse be mixed because there is no immedia material advantage to completely co forming to one mode over the othe This raises the very serious question whether virtually the entire debat over the mode of production in India agriculture has been completely super fluous and has missed the point. Spec fically, it raises the question of whethe the numerous attempts to characteris Indian agriculture as a whole as feuda semi-feudal, or pre-capitalist on the on hand, or capitalist on the other amoun to little more than a futile attemp to classify a mule as either a donky o a horse.

There have been a variety of approa ches towards dealing with this problem For example, Patnaik, while acceptin that monetisation, commodity exchang and wage labour have penetrated int Indian agriculture (which she terms 'precapitalist structure'), argues tha these have failed to dissolve pre-capi talist forms.[63] Granting that the pre capitalist forms are still thriving, suc a statement is of little practical us because it does not tell us how the ca pitalist relations have penetrated an how they have affected the pre-exist ing structure. The very fact that the have penetrated means that new rela tions have been introduced, and th

elations of the pre-existing structure ave been altered — however little or uch that may be. The evidence we ave reviewed so far certainly indicates hat it is not so little. In another rticle, Patnaik makes the more useful tatement that we can speak of "a new apitalist class emerging within a given on-capitalist mode of production".[64] But this still presumes that a clear ifferentiation is taking place between apitalist and non-capitalist farmers, hich is far from the reality. It comletely ignores the mixed relations hat have become so prevalent and ance the mixed class character f so many farmers and members f the agricultural workforce. While lasses themselves remain distinct, the lass character of an individual may e blurred by mixed relations and the ndividual may even move from one lass to another. Rudra takes a contasting view in suggesting the consideation of hybrid classes — neither eudal nor capitalist. However, this approach ignores the utility of looking at on-antagonistic class contradictions nd does not provide any useful nsight into the dynamics of transition rom one primary mode to another.[65]

Dual Mode of Production

There are several overall characterisations of the mode of production in India that are, though perhaps incomplete, at least consistent with the picture we have assembled. They begin by acknowledging the historical perspective of colonialism out of which the present social formation evolved. Banaji argues that "colonialism must be understood in terms of a specific mode of production, neither feudal nor capitalist, though resembling both at different levels".[66] According to Davey: "The class structure, and hence the politics, of the colonial socio-economic formation inevitably reflect the combination and integration of modes of production".[67] Reflecting a certain continuity in transmission from this past colonial duality, Sen Gupta sums up the post-colonial context: "...the present stage of agriculture in India may be described as one where though capitalism has come, the pre-capitalist mode is still prevalent and capitalist development is arrested primarily by the influence of imperialism".[68] (It remains debatable whether the indigenous pre-capitalist mode or imperialism has been the main source of retardation in the growth of domestic capitalism, but this issue is for the moment beside the point — particularly if the pre-capitalist mode under colonialism is viewed primarily as an appendage of the unified structure of imperialism at its periphery.) These characterisations invoke a superposition of more than one mode of production, and the second, in particular, emphasises that the modes necessarily interact rather than merely co-exist. This notion is crucial, for it distinguishes such characterisations from the old, and now generally discredited, concept of 'dualism'. In the current Indian context dualism would have implied the existence of a separate pre-capitalist (feudal or semi-feudal) sector side-by-side with a capitalist sector — two independent modes of production. The preponderance of evidence for mixed relations shows that the two primary modes (pre-capitalist and capitalist) interpenetrate and integrate their relations, generating not two independent modes, but effectively a single mode with dual character having, at once, both accommodating and conflicting internal dynamics. This is what we have termed the 'dual mode of production', and is not to be confused with the old 'dualism'.

The main deficiency of the colonial mode of production thesis as it has been presented so far is the inadequate elaboration of how the colonial mode of production gives rise to new and distinct features in post-colonial social formations. The current dual mode of production thesis is an attempt to explore the internal dynamics of the post-colonial Indian social formation in the continuing context of world imperialism as well as in the context of new economic forces arisng from the economic and technological advancement of the so-called 'socialist' countries (i e, countries with at least a socialist economic base).

In the general method of the dual mode hypothesis, we may think of each primary mode giving rise to a pole of the dual mode. If one primary mode is decidedly more advanced than the other, e g, in terms of its forces of production and propensity for reproduction (as is the case with capitalism relative to precapitalist modes), one pole becomes the leading or motive pole, while the other becomes the lagging or resistive pole. Among internal forces, it is necessarily the motive pole that determines the long-term trend. And wherever there is both status and trend, there is transition and we may speak of the generation of transitional relations of production — i e, mixed relations as transitional forms. (A general approach to analysing the resulting dynamics will be considered when we deal with the question of dominance in a dual mode of production.)

If there is a motive pole in the dual mode of production in India, this poses an interesting question: what permits the dual mode to persist rather than rapidly give way to capitalist mode? A situation in post-colonial India, where State power must be shared by two historically opposed ruling classes and be based on two historically opposed primary modes of production, cannot remain forever stable. The periodic crises in the economy and politics of the country are, in large part, manifestation of contradictions which cannot be successfully resolved in the present dual mode context. Yet several factors may lead us to speculate that such a situation, while in transition and never permanent may last longer than has been the case elsewhere in the world

First, a solid, though heterogeneous, pre-capitalist mode has been so well entrenched (owing a great deal to the nature of British rule) that the native capitalist forces have not been able to decisively overthrow its relations and power, and neither has the pre-capitalist mode drastically disintegrated through its own internal dynamic. At different times and in different places, imperialism has both retarded and aided the disintegration of pre-capitalist modes depending on the nature of its interests in a given mode of surplus extraction. As we have seen, British colonialism in India based its power largely on the semi-feudal hierarchy for the purposes of land-revenue collection and political control of the countryside. In most parts of the periphery (e g, Iran under the Shah, Taiwan, South Korea, and many Latin American countries), areas that might more appropriately fit into Frank's notion of full integration of the periphery into the world capitalist framework, modern post-colonial imperialism primarily seeks the development of export-oriented agriculture, extractive industries, and peripheral manufacturing using cheap labour. However, in India, due to the nature of the Indian State and of its post-colonial mode of dependency (which is elaborated in a later section), imperialism has made virtually no new inroads that might have the effect of eroding the pre-capitalist mode through direct economic control over agriculture (e g, plantations or other intrusion into the cultivation of basic foodstuffs for local consumption).

Second, the significant erosion of the

pre-capitalist mode of production in such areas as Punjab and Haryana, and in different forms in Tamil Nadu, Kerala, and West Bengal, has hardly made a dent in eastern and central Uttar Pradesh, Orissa, and parts of Andhra Pradesh, Madhya Pradesh, Karnataka, Bihar, etc. The strength of capitalist forces in parts of the country simply may not translate into strength elsewhere in the vast landscape of the subcontinent. A third and related factor is the social inertia of sheer size. If the pre-capitalist mode is at all self reinforcing due to co-operativity among its elements, the vastness of the pre-capitalist background may well serve to shield its individual elements from antagonistic perturbations and thus keep it afloat for some time to come.

Fourth, as we have seen, a mode of production practically never exists in its pure form, especially where antagonistic forces are present. The terms 'semi-feudal' and 'pre-capitalist' have, therefore, been used by various analysts in attempts to make generalisations about the heterogeneous nature of Indian agriculture. Similarly, the recognition of the possibility and logic of mixed and transitional relations suggests that the inherent contradictions between the capitalist mode and, say, a semi-feudal mode can be at least temporarily mediated by the evolution of intermediate socio-economic structures. These can only serve to help stabilise the dual mode while very gradual transitions take place. Finally, cultural factors, though in most respects secondary to material conditions, are often totally ignored by many 'Marxist' analysts. The unusual capacity for cultural assimilation and prevalence of mixed cultural formations that have often been attributed to South Asian society may play some role in the stabilisation of contradictory social relations in a dual mode of production.

The general notion that the pre-capitalist mode in India would not quickly give way to capitalism, even if the transition is backed by imperialism, was upheld by Marx when he wrote: "The obstacles presented by the internal solidity and organisation of pre-capitalist national modes of production to the corrosive influence of commerce are strikingly illustrated in the intercourse of the English with India and China."[69]

(To be concluded)

Notes

1 Karl Marx, "A Contribution to the Critique of Political Economy", International Publishers, New York, 1970, pp 20-1.

2 Among the leading proponents of this position is Samir Amin, "Accumulation on a World Scale", Monthly Review Press, New York, 1974; and "Unequal Development", Monthly Review Press, New York, 1976.

3 Andre Gunder Frank, "Capitalism and underdevelopment in Latin America", Monthly Review Press, New York, 1969: A G Frank, "Latin America: Underdevelopment or Revolution", Monthly Review Press, New York, 1969. See also Immanuel Wallerstein, "The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century", Academic Press, New York, 1974.

4 Jairus Banaji, 'For a Theory of Colonial Modes of Production', *Economic and Political Weekly*, December 23, 1972; Hamza Alavi, 'India and the Colonial Mode of Production', *EPW*, Special Number, August 1975.

5 See, for example, Amiya K Bagchi, 'Origins and Processes of Economic and Social Retardation under Capitalism', *Frontier*, September 25 and October 16, 1976.

6 See, for example, D R Banaji, "Slavery in British India", D B Taraporevala, Bombay, 1933.

7 Nirmala Banerjee, 'Exports and the Indian Economy', *EPW*, April 16, 1977.

8 Refer to relevant issues of Statistical Abstract: India, Government of India, New Delhi. These figures are comparable to those of many metropolitan countries just prior the Second World War. See Louise E Howard "Labour in Agriculture: An International Survey, Oxford University Press, London, 1935.

9 The tabulation of oral responses to a few superficial questions further necessitates interpreting census data only with great caution. See Daniel and Alice Thorner, "Land and Labour in India", Asia Publishing House, Bombay, 1962, pp 131-50.

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11 Jean Chesneaux, "Le Mouvement Ouvrier Chinois de 1919 a 1927", Mouton, Paris, 1962, pp 77-8.

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Metal Box India

METAL BOX INDIA's chairman, P K Nanda sounded a note of caution at the company's annual general meeting, since he felt that the economic situation was still uncertain. However, he added that the year had got off to a good start with sales for the period October 1979-January 1980 in value terms about 25 per cent ahead of the figure for the corresponding period of the previous year. The Company was fully geared to make the maximum utilisation of the opportunities in the market place, he said. Nanda mentioned that plans for the manufacture of lining compound — a material used in the manufacture of many packaging products — were being processed. This is one of the smaller projects to be implemented by the company.

Women, Food and Technology

A Comment

Devaki Jain

BRITA BRANDTZAEG in her article, "Women, Food and Technology" *(Economic and Political Weekly,* November 24, 1979) refers to a survey conducted by the Institute of Social Studies in Kaira ("Milk Maids of Kaira, Gujarat" by Nalini Singh, Devaki Jain and Nalini Chand) Brandtzaeg referring to the study, makes the following comments:

(1) The project has not recognised the tremendous hardship imposed on the triple occupation women workers of landless dairying households, whose long day is distributed between dairying, agricultural labour and domestic chores.

(2) The study also indicates that in cases where real family income has increased as a result of economic change, food intake and nutrition levels have not increased accordingly. The question of which member of the household controls the income is emphasised since the study reveals that women are less likely to siphon off a part of the income towards inessentials and prestige/enhancing expenditure.

(3) In today's dairy industry both the management as well as the rewards have been moved out of women's hands.

(4) The training courses for the care of the new breeds of cattle do not include a single woman farmer. Thus as the dairy industry becomes big money women have been debarred from coping with it.

Two more of her data based statements are:

(5) Data from 582 co-operatives in the Kaira district show that women constitute from 2 to 15 per cent of the members.

(6) Of the more than 2,000 persons employed in the Amul complex, there is only one woman veterinarian and few telephone operators and secretaries. Not one woman has been given mastery over the new technology that has taken over their traditional tasks of making butter and cheese.

The survey actually yielded different, as well as more, information. Set out below are my comments (para numbers correspond to the six points mentioned above).

(1) While women who did two occupations, that is not *only* dairying or *only* agricultural, but both, seem to work more hours, reducing their time for domestic work, their average earning for those two hours was nearly 5 times of what they would earn in agriculture (Table 15 in the book, Table 1 here).

(2) Another set of interesting results emerge in Table 13 in the book (Table 2 here). Here we notice that owning a buffalo improves the income of a landless household quite significantly, i e, almost 40.9 per cent. While the income goes up, the expenditure on food also goes up leading to the possible inference that overall family well being improves with participation in dairying, under the Anand pattern. The Table also indicates slight increase in the secondary education.

Table 22 in the book (Table 3 here) is the only attempt the survey made to find out whether the project had any impact on food consumption of the household and the respondent. This was done with a one-sheet questionnaire and general questions to evoke the perception of the respondent. It was not part of the budget of the ICSSR project. However, as will be seen, 59 per cent of the women and above, whatever the land class, have indicated that there has been an improvement or an increase in food consumption of the household and respondent. There are no other data in our survey and hence no statement of the kind Brandtzaeg makes regarding food intake and nutritional levels.

(3) In the Amul project in Surat, which is called Sumul, women are not only members of the managing committees of co-operatives, but have been trained in artificial insemination and in milk measuring and testing and are employed on the staff of the project. This has been possible partly because the population covered by the project in Surat is tribal and therefore there are no cultural barriers in the way of women doing what are normally considered male tasks.

In Tamil Nadu, in the Salem m shed, women are present both in management of co-operatives as as on the staff and in the exten services.

Secondly, as many women intervi ed said that they surrendered t 'reward' to their mother-in-laws a their husbands. It is not known what basis Brandtzaeg made sweeping statement on the d industry.

(4) As mentioned above, train is being given wherever the cultur supportive to women in all aspects dairy management. In Kaira itself entire extension for the new breeds cow population is addressed to women as the high breed cow is delicate animal (relative to buffa This is a direct acknowledgement the fact that only women tend cattle. Again, the statement t women have been debarred from c ing with the dairy industry seems comprehensible.

(5) That women are not a signi cant part of the co-operative insti tional structure is absolutely clear, referred to by Brandtzaeg. This is t basic issue with regard to the Ana pattern. It is true that the organise of this project did not perceive t importance of women being involv in the management, and not only the work.

Mobilisation of females in rur areas has not been a tradition of an project, let alone the Amul projec and lack of this experience has alway provided an easy excuse to proje designers. However, it is to the cr dit of the leadership of the Dai Board that they have resolved bot to include women, especially thos who can mobilise women, in thei spearhead teams in their projec under process, as well as to circulat a guideline that a minimum of 25 pe cent of the membership as well a management of the co-operative societ should be reserved for women. Attem pts are also being made to draw mor women into the visits to Anand fro

TABLE 1 : COMPARISON OF HOURLY EARNINGS FROM DAIRYING AND AGRICULTURAL LABOUR FOR WOMEN LANDLESS HOUSEHOLDS

Type of Household	No of Respondents	Average Earning of Women in Dairying Per Hour (in rupees)	Average Earning of Women in Agricultural Labour Per Hour (in rupees)
NLNB	34	0	0.43
NLB	27	1.93	0.38

BLE 2 : INCOME, MONTHLY EXPENDITURE ON FOOD AND INCIDENCE OF SECONDARY EDUCATION

pe of usehold	No of House-holds	Primary Source of Income	Secondary Source of Income	Average House-hold Income (Rs)	Average Monthly Expendi-ture on Food (Rs)	Incidence of Secondary Education in Sampled Popula-tion (Per Cent)
LNB	34	Agricul-tural wage labour	—	181	176	9
LB	27	Agricul-tural wage labour	Dairying	255	261	11
3 I	32	Cultiva-tion	Dairying	595	317	19
3 II	31	Cultiva-tion	Dairying	833	491	36

LNB : No land, no buffalo
LB : No land, with buffalo
3 I : Households owning less than 5 acres of land and buffalo
3 II : Households owning more than 5 acres of land and buffalo

TABLE 3 : IMPACT SINCE INCEPTION OF MILK CO-OPERATIVES

		NLB	LB I	LB II
o who responded		(29)	(29)	(31)
ood consumption of hh	I	17 (59)	18 (62)	26 (64)
	NC	9 (31)	6 (21)	5 (16)
	D	3 (10)	5 (17)	5 (16)
ood consumption of respondent	I	15 (52)	16 (55)	21 (68)
	NC	9 (32)	8 (28)	9 (29)
	D	5 (17)	5 (17)	1 (3)
ealth care of hh	I	16 (55)	17 (59)	22 (71)
	NC	12 (41)	9 (31)	9 (29)
	D	1 (4)	3 (10)	
vailability of clothing to hh	I	14 (48)	18 (62)	20 (65)
	NC	13 (45)	11 (38)	11 (35)
	D	2 (7)	—	—
vailability of clothing to hh	I	10 (34)	15 (52)	20 (64)
	NC	14 (48)	13 (45)	11 (36)
	D	5 (17)	1 (5)	—
ttendance of school by male children	I	14 (48)	9 (31)	25 (81)
	NC	14 (48)	18 (62)	6 (19)
	D	1 (4)	2 (7)	—
ttendance of school by female children	I	9 (31)	13 (45)	25 (81)
	NC	17 (59)	16 (55)	6 (19)
	D	3 (10)	—	
reatment of respondent by husband	I	6 (21)	12 (41)	23 (74)
	NC	18 (62)	17 (59)	6 (19)
	D	5 (17)	—	2 (6)
reatment of respondent by in-laws	I	6 (21)	9 (31)	23 (74)
	NC	18 (62)	20 (69)	5 (16)
	D	5 (17)	—	3 (10)
tatus of respondent in the house	I	8 (28)	12 (41)	22 (71)
	NC	17 (59)	17 (59)	7 (23)
	D	4 (14)	—	2 (6)

Figures in brackets indicate percentages
I=Increased NC=No Change D=Decreased

e various states and to follow up ese visits with extension. (See nand Workshop — Participation of omen in Dairy Co-operatives in dia", convened by ESCAP at Anand, cember 3-9, 1979, proceedings.) The tiative has already been implement- in Punjab and Haryana, followed by ? where spearhead teams are in tion.

(6) It is true that there are very few women in the Amul complex at Anand as Brandtzaeg states, but to say that the new technology of making butter and cheese has been denied to those traditionally making butter and cheese is jumping several other more vital issues, on which the Anand pattern can be questioned. Firstly, how many women were making butter and cheese before the Amul project, and for what reasons? Butter and cheese were being produced in households earlier because the private dairy system offered no guarantee of buying the milk — a daily guarantee provided by the Anand pattern. When women had milk in surplus, as in the winter season, the private dairy owners either refused to purchase it or purchased it at a low price. Hence, in order to store the milk women would process it. Further, only those who have many heads of cattle and land processed milk for self-consumption and these households continue to do so, even after the project had entered Kaira.

Secondly, the new technology being used for butter and cheese is highly machine-oriented. In fact, it is this aspect that should be questioned. The philosophy of those who are handling Operation Flood is oriented towards sophisticated technology on the assumption that these make the products of the rural masses as sophisticated and saleable as those of private industry. It is such assumptions and views that have been questioned in the chapter under review, and not what Brandtzaeg makes of it.

(7) Women have felt that one of the most important contributions of the pattern is the supply of cattle fodder and help in animal sickness. A field visit made recently to villages in southern Ahmedabad district, being mobilised by 'SEWA', to participate in the National Dairy Development Board's project for that district, elicited the same kind of response from women. Women who belong to families which wer resisting the new dairy project for caste reasons, were breaking their loyalty to the private milk dairies because of Amuldan which dramatically increases the fat content of the milk and thus their earning per unit. Veterinary services are not easily available to the landless and small peasants. The Anand pattern provides a mobile 24-hour service to their members free of charge.

(8) The women interviewed indicated that health care in the households had improved but no change had taken place in terms of increased availability of clothing. Similarly, there was no change in the attendance of female children in schools, treatment by husband or the in-laws, or any aspect of status in the households. The landed households owning more than five bighas of land seem to have a different view, namely, that their condition had improved. But this cannot be used to make any strong statement on the

project, as in any case in such households education is already available to female children and public image may not allow the women to be honest about treatment by those in the family.

In conclusion, while Brandtzaeg has to be applauded for having raised the issue of the displacement of women due to technological progress, it must also be stated that the cause which she is thereby speaking for often suffers due to careless or incorrect statements made by women supporters. It is true that there is lack of data of the kind needed to ensure that women do not suffer due to modernisation. On the other hand to support an argument using data selectively from surveys which have a wider set of data, and which have raised many more issues on the project, can create further misgivings on the women's question. Fanally, it is also important to be circumspect in making sweeping and strong criticisms on projects which are at least making a begining in relation to providing durable, long term employment to rural households. The leadership of Anand is at least open to making changes on the women's issues. It would be a pity to forfeit these possibilities in order to find one more case for making the general statement that women are neglected.

Siemens India

SIEMENS INDIA's new chairman, C M Khatau, informed shareholders at the annual general meeting that the company's turnover was expected to cross the Rs 100-crore mark in the current year. It had already achieved a turnover of Rs 39 crores during the first five months ended February 1980. As at the end of February, orders booked stood at an all-time high of Rs 108 crores. The new factory in Calcutta had commenced production of switchboards from January 1980 and construction work for the setting up of another new unit at Nasik in Maharashtra would commence soon. According to H Langer, managing director, the company's future programme is linked with the development of power and the resulting growth of core sector industries. The company's exports have gone up to Rs 7.5 crores, an increase of 25 per cent over last year. It had secured large turnkey projects, which included equipment for a state electricity undertaking in Indonesia, a bulk sugar terminal from Mauritius, and an outdoor sub-station in Burma.

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Editor Krishna Raj

Associate Editor Rajani X Desai

Assistant Editors M S Prabhakar
Gautam Navlakha

Editorial Staff
K Vijayakumar, A A Dalvi

Manager J K Thakkar

Advertisement Manager R Venkiteswaran

Charade of Integration

SUMMING UP the discussions in the Lok Sabha on Thursday on the latest incidents of atrocities against Harijan agricultural labourers and landless peasants in UP and Bihar, the Prime Minister announced that one of the measures being contemplated by the government to resolve the problem was the 'reactivation' of the National Integration Council (NIC).

The history of the NIC, its formation and periodical 'reactivation' is quite instructive. Its formation (1961) and first reactivation (1968) were related to the outbreak of serious Hindu-Muslim violence in Jabalpur (1961) and in eastern India in 1968.

The first NIC was however short-lived; for the objective of national integration was supposed to have been miraculously achieved — the border clashes with China in late 1962 were supposed to have led to such an "upsurge of national solidarity" that the NIC adjourned *sine die* in November 1962. The perception of the deep divides in Indian society as well as of the solution to the problem of communal violence in such superficial and jingoistic terms was characteristic.

The functioning and deliberations of the reactivated NIC make instructive reading, revealing as they do what the administration perceives as the root of communal tensions and the best way it could be tackled. The reconstituted NIC (with 55 members) not merely made a lot of virtuous recommendations relating to "Communal Aspects, Regional Aspects, Educational Aspects and Mass Media" but in the manner of all such large bodies also set up a 'Standing Committee' which recommended that in order to achieve national integration there should be a National Integration Year, state-level integration councils (which in due course were to lead to district, taluka, and village level integration councils), 'integration corps' in educational institutions etc, etc. The Standing Committee also set up, on its part, six other committees comprising (1) film producers, script writers, directors and artists; (2) writers; (3) trade union leaders; (4) educationalists and leaders of student organisation; (5) representatives of social service organisations, women, and youth; and (6) persons connected with the press. There was also another 'sub-committee' of the NIC, specially on 'communalism'. What these vast number of committees did in the course of the few years when they functioned in a desultory fashion is, thankfully, not recorded in the annual reports of the Union Home Ministry. But in due course, as the government itself began to take a leading role in ordering repression on a scale vaster than any that the most rabid communalist could even conceive of, the NIC and its multifarious committees became moribund, and even the ritual mention of the working of these various committees in the annual report of the Union Home Ministry stopped after 1972.

The present move to reactivate the NIC is taking place under slightly different conditions from those that prevailed in 1968. Till now, when very serious and widespread Hindu-Muslim clashes broke out, the government, knowing that it was historically unequipped to solve the problem, took recourse to constituting such councils and committees, only to allow the whole thing to peter out after a year or two, and revive the whole charade the next occasion when communal violence — always described as being on 'an unprecedented scale' — broke out. What is new in the current situation is that the immediate 'provocation' for the revival of the NIC has not been a Hindu-Muslim riot; it is now being revived as a sop to the scheduled castes who are being projected as coming under the attack of caste Hindus because — *and only because* — they are scheduled castes, though all available evidence indicates that along with their ritual caste status or the lack of it, their economic deprivation also imposes upon them all humiliations and worse horrors (see, 'The Caste of the Poor', *EPW*, March 1).

In this context one has also to ask whether the ruling parties are at all qualified to engage in exercises to promote national integration. The visible hand in a communal riot might well be of the recognisably communalist parties; but the ideology of communal violence is enshrined in the politics of the ruling parties. It is not accidental that the initiators of communal violence — be it against poor muslim artisans in Firozepur and Aligarh, or poor agricultural labourers and landless peasants in Pipra and Parasbigha — are also firm supporters of the ruling parties, be it the Congress or the Janata. Similarly, in some of the worst forms of separatist agitations — like the call for the dismemberment of Andhra Pradesh — the Congress party and elements associated with the RSS and the Jana Sangh took a

leading role. Being such past-masters at disruption, it ill behoves the Congress leaders to deliver sermons on national integration. But of course, these are only sermons not meant to be taken seriously. Hence, when what is described in newspaper reports as "anguish and sense of national shame" on the part of the members of the Lok Sabha dies down, the reactivated NIC too might be put in cold storage — it has happened before — to be revived when atrocities worse than what took place at Parasbigha will be enacted.

Banks

Statistics to Order

THE official press release on the outcome of the finance minister's meeting with the governor of the Reserve Bank and the chief executives of public sector banks in New Delhi earlier this month says that the finance minister had been assured of the banking system's commitment to vigorously support the implementation of the 20-point programme. As part of this effort, the bankers had agreed to raise the share of the so-called priority sectors in aggregate bank credit to 40 per cent over the next five years.

The Reserve Bank, for its part, has lost no time in appointing a working group to examine and report on the modalities of implementing the programme of channelling a higher proportion of bank funds to the priority sectors. The terms of reference of the working group specifically include identification of groups which are to be assisted under the 20-point programme and fixing sub-targets within the enhanced overall target of 40 per cent. The Reserve Bank has also appointed another working group to review the system of data-gathering in respect of advances to priority sectors for monitoring the progress made by banks in rendering assistance to specific categories under the 20-point programme.

Attempts will no doubt now follow to prepare neat tables depicting impressive progress under the 20-point programme and towards achieving the target of 40 per cent credit to the 'priority sectors'. When the 20-point programme was introduced in 1976, as many as 12 categories of existing lending by banks, corresponding to 12 items in the programme, were clubbed together and substantial progress was claimed virtually at the very birth of the programme.

It may appear on the face of it that the banks' performance in respect of the target of one-third of total credit for 'priority sectors' has been better. The proportion was about 15 per cent in 1969 and reached about 30 per cent in March 1979. But there are many aspects of this performance which are far from reassuring. First, there is a great deal of regional concentration in priority sector credit, particularly in the southern region. In central and eastern India, where the poor are concentrated, the banks' performance has been dismal. Secondly, a good part of the achievement has been statistical; it has been the result of including interest and overdues in outstanding credit. Thirdly, and more importantly, though the concept of 'priority sector' was intended to benefit the poorer segments of society, a good proportion of the loans have gone to relatively large borrowers. For instance, according to the Basic Statistical Returns (BSR) of the Reserve Bank, as at the end of June 1977, out of credit limits of Rs 1,462 crores for 'small-scale industry', as much as Rs 991 crores, or 68 per cent, had been granted to units with credit limits of over Rs 1 lakh each. Over 20 per cent of credit to small-scale industry had gone to units with credit limits of more than Rs 10 lakhs. Even in agriculture (including plantations), about 30 per cent of the outstanding bank credit (Rs 365 crores out of Rs 1,249 crores) had gone to borrowers with credit limits above Rs 1 lakh. In respect of 'direct finance' for agriculture the proportion was about 9 per cent (Rs 83 crores out of Rs 949 crores). It is interesting that in agriculture, there were some borrowers with credit limits for 'direct finance' of more than Rs 1 crore and they too were included within the 'priority sector'. Under 'indirect finance' for agriculture, the amount of credit outstanding in favour of parties with credit limits of over Rs 1 crore was Rs 149 crores out of a total of Rs 300 crores and all of this was included under 'priority sector' advances.

If borrowers with credit limits of Rs 10,000 or less alone were included in the 'priority sector' — agricultural labourers and landless labourers allotted surplus land or house sites, bonded labourers released from bondage, rural and urban poor released from indebtedness through debt relief measures, handloom weavers and needy students can hardly think of borrowing more than Rs 10,000 from banks — the proportion of outstanding bank credit going to such borrowers was no more than 10.4 per cent at the end of June 1977, 9.5 per cent at the end of June 1976 and 9.2 per cent at the end June 1975.

If, therefore, banks have to sh better performance in 'priority sec advances, they have to include in s advances (a) indirect credit given institutional agencies, (b) credit ext ded to rich farmers and big industr lists masquerading as small-scale ent preneurs, and (c) show outstandi including overdue interest. The hi er target of 40 per cent now accep may mean no more than redoubl efforts in these directions.

Meghalaya

Double-Edged

THE emergence of the state of M ghalaya was a prolonged affair. Wh the demand for statehood was fina conceded in 1972, there was no sen of grace in the Centre's acceding to t demand, much less a sense of achiev ment in Meghalaya itself that the lon standing demand had been realised.

Given the strife and bitterne that had been created in t course of the struggle to secure stat hood, it was inevitable that furth moves towards more tribal exclusiv ness would be initiated; and not su prisingly, less than two years after th state came into existence, the sta legislature passed the Meghalaya Res dential Permit Bill, 1973, which sough to place some restrictions on entry in to and residence in the State of non tribal people.

That official bill, passed over si years ago, has yet to receive presiden tial assent. Had that measure receive presidential assent, it is possible tha state would have been spared the pre sent agitation against the presence o 'foreign' nationals in the north-eas But the susceptibilities of the peopl of Meghalaya counted for little in th great plans that Indira Gandhi, wit Mujibur Rahman, had for the sub continent.

Now, fresh attempts are being mad to regulate and control the entry an residence of non-tribal people in Me ghalaya. Apart from the reiteration b government that its 1973 bill shoul receive the presidential assent, ther are at present three other measure pending — two in the form of bill (one of which is an official bill), an the third in the form of a unanimou resolution of the state assembly. O November 30 last, the chief ministe introduced the Meghalaya Maintenanc of Public Order (Amendment) Bil 1979, which is in many ways a fa more restrictive measure than the bi

1973. An opposition leader in the ate assembly introduced five days ter his own bill entitled Meghalaya Extension and Application of the Ben- ul Eastern Frontier Regulation) Inner ine Bill, a piece of legislation corres- onding to the one operative in Naga- nd, for instance, entry into which is gulated by an inner line permit. Both ese measures are now before select ommittees of the House, whose re- orts are expected by the end of this onth. In order to further emphasise e necessity and urgency of such legis- tion, the opposition leader in the ate assembly moved a resolution early is month (unanimously adopted) ging the state government to imme- iately introduce suitable legislation on e lines of the still pending residential ermit bill of 1973. Almost without ny dissent, both the government and e opposition in the state's politics ow favour fairly severe restrictions to e placed on the entry, residence, and tivities of non-indigenous people in e state.

The actual functioning of the present ner line system has not always been the well-being of the people whom is supposed to benefit — though this not to plead for the abolition of ch regulations. For instance, the xistence of the inner line system since 873 in one form or another in the aga-inhabited areas of Assam has not ally meant the preservation of the aga way of life; it has not even re- ulted (as it was perhaps intended) in reventing the exploitation of the Naga eople by traders and businessmen rom other parts of the country. On ne other hand, it has certainly meant, rst, a completely free hand for the cal administration to rule without ny fear of their actions coming under ublic scrutiny; and two, it has meant more or less completely effective *ordon sanitaire* around the territory gainst 'foreign' ideologies — though he inner line system has not come in e way of the functioning of a known SS outfit like the Vivekananda Kendra Kohima Itself.

Congress Party

Winner Takes All

N the face of it, the trouble in the ongress(I) in Andhra Pradesh has the l-too-familiar appearance of dissident tivities endemic to a ruling party, nd even to a party in opposition. But e gathering opposition to Chenna eddy seems to be directly related to is being one of the lone remaining talwarts' of the Congress(I); just as Devaraj Urs, soon after ensuring Indira Gandhi's election at Chickmagalur, was forced out of the party, Chenna Reddy too will have to pay the price of Medak.

Chenna Reddy was in trouble even before the Lok Sabha polls, having had to bear the mortification of seeing his arch rivals in state politics — including Brahmananda Reddi who had actually expelled Indira Gandhi from the Congress — securing nominations for their supporters while, he, the long time loyalist, had to remain content with only three of his supporters securing the party nomination. Further humiliation was in waiting after the Lok Sabha polls when the seniormost of the 'Andhra men' in the cabinet turned out to be his long time rival in Telengana politics, and the other two, not his proteges.

The return of Indira Gandhi as Prime Minister has meant more trouble to the Congress(I) Chief Minister than was ever the case when the Janata was in power at Delhi. While the Janata at least left him alone, the Congress(I) has to either make him submit to the larger corporate will of the party, in this instance, Indira Gandhi and Sanjay Gandhi, or else... .

The first shot in the campaign seems to have been fired by the Chief Minister himself who diverted one of his colleagues — reputed to be close to Sanjay Gandhi and actually gunning for the top post — of his portfolio of excise and commercial taxes and assigned him the portfolios of weights and measures. The reaction was immediate in the form of disturbances by Youth Congress(I) workers in Hyderabad shouting slogans, 'Death to Chenna Reddy!' According to one report, one of the 'charges' made by the dissidents against the Chief Minister is that a pamphlet published by the state information department lauding the Chief Minister's achievements during the past two years makes no mention at all of Indira Gandhi, thus indicating that Chenna Reddy was getting too big for his boots, and also recalling the similar charge made against Devaraj Urs immediately after the Chickmagalur election — that he had got the election posters printed showing a large and benign Devaraj Urs looking down from the top of the poster upon a smaller and obviously supplicant Indira Gandhi at the bottom of the poster.

Notwithstanding Chenna Reddy's repeated and indeed perfervid declaration of loyalty towards not merely Indira Gandhi but also her son, the fact that first, he was useful to Indira Gandhi, and two, that such usefulness is now over, dictates that Reddy's number is indeed up. The scale of the success of the Congress(I) in Andhra Pradesh as well as the fact that there are so many more people whose aspirations too need to be fulfilled mean that he has to make way — gracefully, if he is cooperative, in which case, he could be provided with a berth at the Centre, or go down with a gesture, in the manner of Urs. Winner takes all.

Railways

Leads and Lags

FOR the third year in succession, in 1979-80 the railways have failed to get anywhere near the target of additional freight traffic set by the railway ministry itself. The railway budget for the year had anticipated that the railways would be called upon to handle 222 mn tonnes of revenue earning traffic during the year. However, based on the performance upto December 1979, the estimate has now been scaled down to 194 mn tonnes. This is actually 5.6 mn tonnes less than the traffic carried by the railways in 1977-78 and as much as 19 mn tonnes less than that carried in 1976-77. Clearly, the explanations offered by the railway minister while introducing the railways' budget for 1980-81 — the overall economic, especially industrial, stagnation, the shortage of coal and power which affected not only industrial production but also the railways' own working the "frequent agitations by the railway staff particularly in the eastern sector, mostly by category-wise unrecognised groups" — cannot account for the continuously low level of freight traffic, as measured in terms of originating load, for three years.

The fact seems to be that the concept of originating load has ceased to indicate the actual demands made on the railways by freight traffic. This is because of the continuously increasing lead of railway goods traffic. As the railway minister has pointed out in his budget speech, the revised estimate of the railways' gross receipts from freight traffic in 1979-80 shows a shortfall of less than 7 per cent compared to the budget estimate as against the over 14 per cent deficit in originating freight traffic, "primarily because the average lead per tonne has gone up during the year". In fact, the average lead has been continuously lengthening from around 611 kms at the end of the Third Plan (1965-66) to around 721 kms in 1978-79, making originating load an increasingly misleading measure of freight traffic.

It is, of course, what this implies about the pattern of agricultural and

industrial growth in the country, especially its geographical distribution, which is the more important aspect of the matter. It certainly does not speak for the success of objectives of decentralised development or balanced regional growth. As the draft Sixth Plan puts it, one of the reasons for the longer lead of railway goods traffic is that "foodgrains are now being moved from Punjab to Kerala and similarly cement and fertiliser from south to destinations in the north all the way by rail". The Sixth Plan's assertion that the average lead of railway goods traffic can be reduced or at least stabilised by, among other devices, "paying attention to optimum location patterns of economic activity" will no doubt remain a pious hope.

The sustained rapid growth of railway passenger traffic, both suburban and non-suburban, is also a reflection of the same geographically concentrated pattern of development, with large urban agglomerations as its focus. Suburban passenger traffic which had expanded by 68 mn on average per year in the Third Plan rose by an average of 84 mn per year between 1965-66 and 1978-79. The average increase in the Fifth Plan was 123 mn per year and in 1978-79 the increase was 185 mn. The growth of non-suburban traffic was 30 mn per year on average in the Third Plan and 42 mn per year since then till 1978-79. Here again, what has been happening is quite the opposite of the statement in the section or 'transport policy' in the Sixth Plan document that "one of the major objectives of government policy ... is to discourage the migration of population from villages to cities and indeed to reverse, if possible, the growth of the large and congested metropolitan areas".

In this context it needs to be noted that there has been apparently an arresting of the trend of rising suburban railway passenger traffic in 1979-80. The revised estimate of suburban first class passengers is 90.5 mn compared to 97.4 mn in 1978-79 and of second class passengers is 1,925 mn compared to 2,016 mn in 1978-79. Obviously, this is the outcome not of any change in the basic trend of concentration of economic activity in the metropolitan centres but of the very sharp increases effected in the 1979-80 railway budget in suburban season ticket rates, on the advice of the Rail Tariff Enquiry Committee. If it is assumed, not unreasonably, that some first class suburban passengers have changed over to second class travel, the decline in the number of second class suburban passengers appears in a particularly grim light. Clearly, suburban train travel has been priced out of reach of many millions of commuters from the poorest sections of the population of cities with suburban train services.

To revert to the growth of railway traffic and the railways' carrying capacity, there can be little doubt that, given the longer lead of traffic, the railways would simply not have been able to cope with the budget estimate of 222 mn tonnes of originating freight traffic in 1979-80 had it actually materialised. The slackening of the pace of expansion of railway capacity in physical terms, as revealed by information contained in the Explanatory Memorandum to the railway budget for 1980-81, is indeed striking. Thus the average rate of expansion of railway route kilometres was 430 per year in the Third Plan; this dropped to 183 between the end of the Third Plan and 1978-79. The corresponding figures for electrified route kilometres are 335 and 177; for the number of wagons added to the railways' rolling stock 12,422 and 2,451; for passenger vehicles 525 and 315; for electric multiple unit coaches from 102 to 81; and for diesel locomotives 109 and 108 and electric locomotives 54 and 42 (which figures are seen in better perspective if it is remembered that as part of the programme of progressive dieselisation and electrification, the number of steam locomotives with the railways declined from 10,613 at the end of the Third Plan to 8,082 at the end of 1978-79).

This process of deceleration has certainly not been arrested in the Plan so far. While statistics of phy expansion of railway capacity du this period are not available, the fig of Plan expenditure on the rail show that in the first three year the Sixth Plan (taking into acc the budget estimate for 1980-81) about 54 per cent of the total ou for the whole Plan period would spent. The shortfall in real terms wo of course, be much more stark if count is taken of the sharp rise prices. In regard to addition to rol stock, the Plan expenditure in the three years would be just over half total outlay proposed.

These are not, however, the thi that apparently occupy the railway m ister. Judging by his budget spee populism and playing to the gallery his preoccupations. For instance, view of the paucity of resources, Sixth Plan had explicitly stated t "higher priority will be given the movement of essential goo traffic as against passenger traff and that in particular the poli relating to fast passenger trai which make especially heavy d mands on the railways' capacity, w need to be reviewed. The railw minister has, on the other hand, a nounced the government's decision introduce soon a new tri-weekly fa train between Puri and New Del and another new fast tri-weekly tra between Ranchi and Chandigarh v New Delhi.

LETTER TO EDITOR

West Bengal Elections

ADRAK VYAPARI (February 23) has characterised as "fantastic" my statement that "between 1977 and 1980 the mass base of the Congress(I) has registered a faster rate of growth than that of the CPI(M)". Brushing aside the evidence put forth by me, he has offered what he has called "much more meaningful" data. Even if he is taken at his word, then his own data also corroborate my conclusion. For, his computation reveals that the percentage of valid votes per candidate in 1977 and 1980 was static at 1.31 for the CPI(M) while it increased marginally from 0.90 to 0.91 in the case of the Congress(I).

Vyapari makes a flamboyant statement that it is doubtful if the RSP, the Forward Bloc and the CPI would have got even one per cent of the total votes cast in the state, had they decided to fight separately. It only shows that h lacks, to borrow from his own idiom "a marginal acquaintance with the poli tical situation in West Bengal".

In the Assembly elections in Jun 1977, the CPI had polled more than per cent of the valid votes cast, eve though the party had contested the polls independently and done so a a time when it was in disgrace becaus of its collaboration with Indira Gandhi' Emergency regime. Earlier in the 197 elections for the State Assembly, th RSP also had entered the contest inde pendently and secured more than 2 pe cent of the total valid votes cast. Eve the SUC which is ranged against th Left alliance secured 1.27 per cent o the total valid votes cast in West Ben gal in the seventh Lok Sabha elections

Calcutta, March 8.

AJIT ROY

Keeping Their Distance

Romesh Thapar

GOVERNANCE is not just a matter of getting a massive mandate. It demands the respect and co-operation primarily of the main bureaucratic arms of government, and of the professional sections of society. The Janata government of Morarji Desai was sufficiently inept to lose this goodwill which originally belonged to it, and the government of Indira Gandhi is hard put to claim it. Impartial observers are surprised by the lack of co-operation being offered, a mood that is being visibly sharpened as rather distasteful appointments are made of the men who served Sanjay Gandhi without question during the Emergency.

As part of the scene, it is assumed that Indira Gandhi will not concern herself with these "mundane" matters, that they will be handled by ministers of Cabinet rank who are easily prodded to agree to every fiat that is sent them, even down to the appointment of special Assistants (those all-powerful shadows!), stenographers and typists. Perhaps, even the peons are under scrutiny in these security conscious ones. Who sends the orders is still anyone's guess, but it is generally accepted that you go to Sanjay Gandhi if you want anything done.

All this is very well. The PM may be moving towards an Indian-style presidential system in which family members are bound to hold individual durbars, but I think it needs stating very categorically that this way of functioning is likely to rob the political/economic system — or what remains of it — of the best talent. It is not the talent that is appreciated in these days of "dynamic doings", but it is the talent which learns from the past, assesses the present with caution, and can see the implications for the future. If our most perceptive men in the administration decide to keep their distance no government can hope to perform on the extraordinary problems that are surfacing.

This applies equally to the academic community which, whether acknowledged or not, provides the underpinning for the concepts and ideas which make programmes. Apart from the usual charlatans, who are more interested in wielding positions loaded with perks and privileges, it is clear that no one of any consequence is coming forward to offer a hand. The fear seems all pervasive that manipulative politics are dominant and will willy-nilly damage the possibility of any useful intervention. Even policy perspectives of an exciting kind, which often break down distrust and suspicion, are not forthcoming. The few noises are, in fact, disturbing. Multinationals are being wooed, and there is loose talk about "freeing the economy", whatever that might mean.

All this explains the feverish activity of the "men-with-blemishes" to find a short-cut to re-establishing themselves. Apparently, this is happening at every level and causing grave disquiet in the services. The Janata ruling elite's meanderings were a picnic compared to what is going on now. And what's more there's no system of redress or protest. Even leave is denied to officers with an outstanding record who resent being superseded without reason. The police force offers many examples. As it has been pointed out repeatedly, a spoils system is not really acceptable to the political culture of federal India. But who cares these days!

It could be that the lack of lustre, or "spark" as the locals describe it, is due largely to the continuing failure to restore the shaken morale of the services since 1975. In this matter, the senior members of the administration must carry the heaviest responsibility. Without their sustained battle for meaningful norms, there can be no improvement in the temperament of the services. For a number of years, these senior echelons have distinguished themselves by grovelling for political favour or advantage, and now an urgent salvage operation has to be mounted.

The apologists for the new regime argue that no momentum will develop until the legal tangles surrounding various personalities have been cleared and the government's key economic ministries properly activated. This implies that we must await the next budget before we can begin to assess possible developments. However, it would not be an exaggeration to state that there is discernible in several important areas a visible withdrawal from the ramifications and possible consequences of being involved with the heirarchy of power. Indira Gandhi will need to get over these hurdles — and she knows it.

If the elections to the State assemblies provide a varied result, and there is no reason to expect otherwise despite the aberrations of Jagjivan Ram and the propensities of bandwagonism, all these elements of the current scene may get sharply underlined. Only a feeling of Congress (I) permanence in power can alter the picture somewhat. This exists, but on the premise that the democratic process will be increasingly denied to the people. Even the foreign press, normally very indulgent of Indira Gandhi, is becoming sensitive to the Emergency vibrations in the current situation.

Against this background, it is incredible that the Opposition takes so long to get down to assembling the nuts and bolts of joint action. Of course, of paramount importance is the need to drum into retirement a host of aged nincompoops who spend their time on stage monopolising the footlights because the national press is obsessed with these ancient images. What holds back the younger men? They have nothing to lose but the shackles of these ruins. Do they see this simple truth, or will they keep waiting as age overtakes them? Whatever the nature of massive mandates, and such things, this sub-continent is searching for an alternative that will make sense. That alternative does not form. Those who help it to, will lead. That is for certain.

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Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (23.2.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-
All Commodities	1000	230.0	2.7	25.0	20.7	−0.1	5.1	2.1	−1
Primary Articles	417	214.8	1.2	20.9	18.8	−1.4	9.7	0.8	−6
Food Articles	298	188.1	0.5	13.3	10.9	−0.7	11.7	−5.1	−4
Non-Food Articles	106	208.1	3.2	21.0	19.6	−4.6	6.1	19.7	−14
Fuel, Power, Light and Lubricants	85	295.5	0.1	23.0	14.4	4.4	1.4	5.3	10
Manufactured Products	499	233.2	4.4	28.9	24.6	0.1	2.2	2.3	1

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13

Money and Banking	Unit	Latest Week (22.2.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-7
Money Supply (M_1)	Rs crores	24,537	404 (1.7)	3,533 (16.8)	2,679 (12.3)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,23 (10
Net Bank Credit to Government	Rs crores	18,443	49	3,792	3,051	1,921	2,449	910	55
Bank Credit to Commercial Sector	Rs crores	29,729	257	4,788	4,396	4,111	2,718	3,111	2,72
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,468	−52	208	49	974	1,991	1,378	65
Deposits of Scheduled Commercial Banks (latest week 29.2.80)	Rs crores	31,312	157 (0.5)	4,913 (18.6)	4,437 (16.5)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,32 (19.7

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	146.3[9]	150.6	147.4	2.2	6.8	5.3	9.8	4.7
Basic Industries **	32.28	158.4[8]	169.6	161.2	5.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	155.4[9]	165.5	156.4	5.8	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	132.7[8]	139.1	131.7	5.6	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	119.5[8]	138.2	143.4	3.6	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	159.6[8]	159.7	145.4	9.8	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	114.6[8]	135.6	143.2	−5.3	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Dec 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	417	4,372 (11.8)	3,909	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	481	5,629 (19.9)	4,694	6,764 (12.3)	6,025 (18.7)	5,074 (3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	−64	−1,257	−785	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,83 (2.6
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,17 (−15.8
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)	39 (−23.3

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [1] indicates that the figure is for January, and so on (2) Figures in brackets denote percentage variation over previous period

Impressive Recovery

Hansavivek

EMENS INDIA has recorded impressve recovery during 1978-79 after the evious year's shortfall in sales and ofits caused by prolonged labour unst at its production units in Bombay. les improved by 32 per cent to reach 93.86 crores, orders booked totalled 117.4 crores, which were about 38 r cent higher than last year and profit fore tax of Rs 7.89 crores showed an crease of 36 per cent. The unchanged vidend of 16 per cent was covered 27 times against only 1.45 ttimes preously. The income-tax officer has prosionally determined 25 per cent of e dividend to be exempt from tax nder section 80J/80K of the Income-x Act. This performance looks all the ore pleasing when viewed against the ackground of non-availability of matials, power shortage and transport ottlenecks. Almost all the divisions erformed well. The power engineering ivision encountered good demand for s entire product range, particularly on ccount of tremendous emphasis placed by government on rapid power development and on increasing the installed capacity of cement. The company has received a 'letter of intent' from the Central government for expansion of switchgear product range. The components, data and communication division showed a significant improvement and is looking ahead to brighter prospects in view of modernisation programme of railways. The medical engineering division's turnover was lower by 5 per cent compared to the previous year due to shortage of x-ray tubes. Construction of the new switchboard factory in Calcutta has been completed and commercial production started from January last. Construction of new factory at Nasik in Maharashtra will start on receipt of the necessary sanction from the Central government. The company has developed a sophisticated Teleperm-C which finds special application in solving complex process automation tasks in super thermal power stations. This will go a long way in modernising instrumentation and control system in the field of power generation. The chairman, C M Khatau, envisages good future prospects for the company. He expects sales to exceed Rs 100 crores this year. He, however, feels that net profitability may not rise beyond last year's level, because inflationary trends in the economy are likely to erode profit margins. The company has in hand orders worth about Rs 85 crores.

EXCEL INDUSTRIES has achieved further improvement in its performance with higher sales but at lower profit margins. Although both depreciation and taxation have taken away bigger slices of profit, dividend raised by a point to 19 per cent is covered 2.61 times against 2.50 times previously. The directors say that the company has been able to keep up its record of improved working results in spite of numerous problems faced by it. Exports were lower at Rs 68 lakhs against Rs 113 lakhs of the previous year. The company incurred capital expenditure of Rs 203 lakhs, which was largely met out of retained earnings. An application has been made to bankers for increasing

The Week's Companies (Rs Lakhs)

	Siemens		Excel Ind		Unichem		A P Paper	
	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-6-79	Last Year 30-6-78
Paid-up Capital	720	720	256	256	72	72	450	550
Reserves	1126	954	365	270	161	145	1066	940
Borrowings	875	462	380	186	235	185	336	464
of which Term borrowings	237	246	30	—	32	46	100	210
Gross fixed assets	2179	1942	873	780	353	332	2765	2690
Net fixed assets	1184	950	620	504	179	163	1394	1338
Investments	11	1	22	21	1	1	5	—
Current liabilities	3137	2353	726	581	179	180	830	521
Current assets	4653	3528	1087	719	467	417	1284	1136
Stocks	2437	2146	545	339	254	194	807	753
Book debts	2167	1350	501	371	148	187	374	330
Net sales	9386	7124	1525	1284	1071	1061	3057	2605
Other income	371	248	31	31	55	55	94	86
New material costs	6730	4988	478	367	380	415	573	523
Wages	1124	939	248	223	225	217	354	326
Interest	122	72	49	49	35	36	47	103
Gross profit(+)/loss(—)	953	674	265	232	66	70	764	590
Depreciation provision	164	142	75	63	22	22	201	190
Tax provision	501	332	52	41	21	24	346	117
Net profit(+)/loss(—)	288	200	138	128	23	24	217	283
Development rebate provision	27	33	10	13	3	2	5	6
Transfer to reserves	146	52	79	69	9	11	122	187
Dividend								
Amount	P — / E 115	— / 115	P — / E 49	— / 46	P — / E 11	— / 11	P 9 / E 81	9 / 81
Rate (per cent)	P — / E 16	— / 16	P — / E 19	— / 18	P — / E 15	— / 15	P 9.50 / E 18	9.50 / 18
Cover (times)	2.27	1.45	2.61	2.50	1.82	2.00	2.51	3.31
Ratios (per cent)								
Gross profit/sales	10.15	9.46	17.37	18.07	6.16	6.60	25.00	22.64
Net profit/capital employed	15.60	11.99	22.22	24.33	9.87	11.06	14.31	19.00
Inventories/sales	25.96	30.12	35.73	26.40	23.71	18.28	26.40	28.91
Wages/sales	11.97	13.48	16.26	17.37	21.01	20.45	11.58	12.90

cash credit facilities from Rs 191 lakhs to Rs 433 lakhs to meet working capital requirements of the Endosulfan project. The company also made a 'rights' issue of debentures of Rs one crore, which was subscribed to the tune of Rs 91 lakhs. The plant for manufacture of di thio phosphoryl chloride with a capacity of 300 tonnes per annum, being set up at Roha in Maharashtra, is expected to go into production during the current year. The turnkey project for manufacture of malathion offered to Hindustan Insecticides is nearing completion and will be commissioned soon. The company has entered into an agreement with Punjab United Pesticides and Chemicals, a joint sector company incorporated by the company and Punjab State Industial Development Corporation, for supply of technical knowhow and engineering services for the manufacture of oxalic acid. The company has also concluded two more agreements for supply of technical knowhow and engineering services for manufacture of malathion with Ficom Organics and Khatau Jhunker. It has also invested Rs 3 lakhs and Rs 5 lakhs, respectively, in these companies.

UNICHEM LABORATORIES has suffered a modest setback in its performance during 1978-79 due to prolonged labour unrest at its Bombay and Ghaziabad units. Since early December last, normalcy is returning at the Bombay factory, but the situation at Ghaziabad continues to be abnormal. The Roha unit functioned normally and the management has settled workmen's demands amicably by negotiation. Total sales were a shade better than in the previous year, but gross profit was lower. The unchanged dividend of 15 per cent, however, was covered 1.82 times against 2 times previously. In addition, the directors have proposed a bonus issue in the proportion 1:4 and recorded their intention to pay 9 per cent dividend on the expanded capital after the bonus issue. A V Mody, chairman, says that the company could not meet orders worth about Rs 1.5 crores due to labour agitation. As a result of research and development, the company is introducing two new products and has further four promising products under development. It has also planned substantial capital expenditure programme at the Roha unit to manufacture basic drugs. Mody, however, observes that drug prices control orders of 1963 and 1970 have been great handicaps for the industry. For the last eight months there have been increases in all costs, raw materials and packaging materials, but government has turned down requests of the drug industry for price revision.

ANDHRA PRADESH PAPER MILLS has applied for increase in capacity from 75,000 tonnes to 1,00,000 tonnes per annum. The management is pursuing with the state government the matter concerning allocation of additional raw material to cover deficit in the event of suspension of *ad-hoc* allocation of bamboo coupes and for the proposed expansion of capacity. Meanwhile, other development programmes are in progress. Erection of additional boiler has been taken up. The balancing equipments for pulp mill are being received and are expected to be commissioned by June 1980. The company has produced good results for 1978-79, with production up from 73,984 tonnes to 75,543 tonnes, sales from Rs 26.05 crores to Rs 30.57 crores and gross profit from Rs 5.90 crores to Rs 7.64 crores. Net profit, however, has declined from Rs 2.83 crores to Rs 2.17 crores owing to much increased tax liability. Even so, unchanged dividend of 18 per cent is covered 2.51 times against 3.30 times previously. To reward the shareholders, the directors have also recommended issue of one bonus share for every four shares held and recorded their intention to pay at least 15 per cent dividend on the expanded capital after the proposed bonus issue.

GUJARAT STATE FERTILISERS COMPANY has been diversifying its activities. It has taken up several projects, the major among these being the caprolactam plant which commenced production in August 1974. The other projects under various stages of progress are purge gas recovery (argon gas), nylon-6 chips, melamine and new sulphuric acid plant. The purge gas recovery project will have a capacity of 2.8 million NM^3 argon gas or liquid per annum. The capital investment on this project will be about Rs 8.5 crores and it is expected that this project will be completed by the end of March 1980. The nylon-6 chips project has a capacity of 4000 tonnes per annum of nylon chips — engineering plastics — for industrial purposes. This project will need investment of about Rs 20 crores and the project will reach production stage in the beginning of 1981. The facility established for melamine production is to produce 5000 tonnes per annum, requiring an investment of about Rs 24 crores. This project is scheduled to be completed by the first quarter of 1982. To meet the increasing captive requirement of sulphuric acid and also to cover higher demand of the market, a new sulphuric acid plant of 400 tonnes per day capacity is being established which will cost a little over Rs 5 crores. The highlight of GSFC's diversification programme is that the bulk of the investment is to come from company's own generated resources and comparatively little assistance is being sought from financial institutions etc, especially to meet the foreign exchange cost. Another important feature of these projects is that the necessary raw materials are available within GSFC, which will be an added advantage for steady production. The company has also chalked out an expansion programme. It is awaiting government clearance for the expansion of its caprolactam plant. It has also applied to the government for expanding its nitrogenous capacity to be based on the Bombay High gas. The capacity envisaged of this expansion will be 1350 tonnes of ammonia per day and 1800 tonnes of urea per day.

GSFC has established a research centre to accelerate development of research and to convert its fruits into commercial plants speedily, so that the benefits of research could be availed of by others besides GSFC. The research centre received recognition from Government of India in 1975. On the basis of pilot plant experience of two years, it is now possible to set up mini-balanced NPK fertiliser granulation plants in every district or area using basic raw material such as ammonia and phosphoric acid to meet the specific demands of fertiliser formulations of every district. GSFC has also set up a pilot plant at a cost of Rs 10 lakhs for development of indigenous catalysts and process for manufacture of cyclohexane. It is now possible for GSFC to supply indigenous knowhow and catalyst for setting up cyclohexane plant. Cyclohexane is a raw material for the production of cyclohexanone and adipic acid — the latter is not yet produced in India. The process for the production of SAN has been developed. It is now being perfected to scale up for setting up pilot plant which will be a semi-commercial size plant. GSFC has a letter of intent for a capacity of 500 tonnes SAN plastic per year.

NEW DELHI

Intimations of a Wash-Out

B M

WHAT the Finance Minister and the Railway Minister did, after all, on the opening day of the new session of Parliament early this week was to ask for votes on account for four months. This set at rest the speculation that their so-called interim budgets might contain a general assessment of their problems and also some policy perspectives together with some specific measures. But they did nothing of the kind and chose to postpone discharging their responsibility till after the Assembly elections. This evasive exercise was, of course, laced by the overworked claptrap about the difficulties inherited by the government from the previous two governments and the mess that the latter had made of the economy. Venkataraman airily talked of evolving of a new "coherent medium-term strategy" by a Planning Commission yet to be constituted. It is, of course, easy to see that this process will take a long time to fructify and it is hardly likely that the Finance Minister will have this "medium-term strategy" by the time he is at last ready to present his full year's budget. It does not seem likely that it will be possible to formulate even a coherent annual plan, let alone a medium-term strategy embodied in a new Five-Year Plan, by the time he presents the budget. In the event, the coming financial year will be a wash-out so far as purposeful management and direction of the economy is concerned.

Coming to the budget estimates, both the Finance Minister and the Railway Minister have attempted only to try to show the gaps between the revenue and expenditure to be somewhat "reasonable", or, at least, smaller than what have been recorded in the current year — Rs 1,235 crores as against Rs 2,700 crores in the case of the general budget and Rs 38 crores as against Rs 42 crores in the railway budget. But this has been achieved by stretching revenue expectations and pegging the expenditure commitments at modest levels as far as possible. It is interesting to note in this context the alacrity with which the Federation of Indian Chambers of Commerce and Industry has picked on these estimates. Relying on the hopes of a revival in economic activity under the new political dispensation and projecting a further improvement in the finances of the government on that basis, the FICCI has gone so far as to enter a plea for selective tax reliefs, in income tax and excise duties, in the full-year budget when it is presented. How far this suggestion reflects the mood of the present political leadership and how far the Finance Minister will go along with it will be seen in due course. The fact, however, is that if special efforts are not made to raise resources, the budgetary deficit next year can easily surpass the figure recorded in the current year. The interim budget is highly optimistic on the credit side about market borrowings, foreign aid flows and revenues from import duties. These expectations are evidently based on considerable revival of economic activity together with substantial improvement in the capacity of the economy to absorb foreign aid.

Above all, the projected deficit in the general as well as the railway budget are based on a sharp deceleration in Plan outlays in real terms. The increase in the budgetary provision for the annual plan, 1980-81, is a paltry Rs 123 crores. Considering the 23 per cent increase in the price level during this year, it means a sharp cut in the Plan outlay. In the case of the states, there is an absolute cut in Central assistance for their plans. It is also noteworthy in this context that even while there is brave talk of formulating a new plan and evolving a new planning strategy, any reconsideration of the state plans for 1980-81 has been ruled out. It is proposed that they will be finalised at the official level even while the Planning Commission stands dismantled, and even the state chief ministers are to have no say with the Centre on the finalisation of their plans.

The style of budgeting and the procedure adopted for finalising the state plans makes the position so far as planning is concerned much worse than what it was even in the mid-sixties when the draft Fourth Plan was dropped in favour of three years of annual planning or what is known as 'plan holiday'. The Planning Commission was at least in position at that time and the successive annual plans were formulated in consultation with it even while a new Fourth Plan was under preparation. This helped, though partially, to bring to bear on the annual plans some measure of perspective planning and discipline. On the present occasion, however, it will be *ad hoc*ism all the way and at its worst. The deleterious influence of annual planning in the mid-sixties on the planning process has been widely admitted and has been difficult to shake off for a whole decade and a half. What we have now in the making is a full plan holiday, at least for 1980. This will only reinforce the deadening grip of stagflation and its consequences are bound to be far-reaching and of a long-term nature.

The projected cut in Plan outlay in 1980-81 will inevitably mean that the maximum which may be possible to do on the ground will be to finance on-going projects and that too probably at a slower pace of implementation. New starts as well as programmes for social welfare and upliftment of the weaker sections will be pre-empted. This is evident from the downgrading of the adult education programme. More serious is the slashing of the food for work programme for which the interim budget provision is hardly one quarter of the expenditure on it in the current year. Significantly, as the West Bengal Finance Minister has pointed out, this is probably the only worthwhile programme of subsidising the poor and their economic activity and employment. It has been drastically cut whereas other subsidies for the better off in the villages and the towns remain untouched in spite of the so-called budgetary stringency.

Also significant in the context of the pruning of economic activity in the public sector on grounds of resource stringency and inability or unwillingness to raise resources, is the reliance that is proposed to be placed on private enterprise and efficiency of the private sector for economic revival. This is underlined not only by the stress being laid on better utilisation of established capacities. More noteworthy are the fervent calls for the private sector to show initiative and perform. The open invitation to the private sector to take up power generation is indicative of the new policy stance. The invitations which are being handed out openly to foreign private capital and multinationals also fall in place in this context. No wonder, the FICCI President is so satisfied with the 'budget' and expects new and enlarged opportunities for the private sector to flow from it.

MONEY AND BANKING

Monetary Expansion Understated

THE growth in money supply apparently continues to be kept under check, judging by data for January 1980. Money stock (M_1) expanded by Rs 218 crores or 0.9 per cent, which was lower than the expansion of Rs 286 crores or 1.4 per cent a year ago and 3.4 per cent in December 1979. The increase in M_1 showed up mainly in the currency component which rose by Rs 277 crores as compared with Rs 377 crores last year. Deposit money contracted by Rs 59 crores which was Rs 32 crores lower than the decline registered a year ago. In December 1979 deposit money had risen by Rs 642 crores, which in part is ascribable to window dressing by the banks at the time of finalisation of their annual accounts.

A more careful look at the sources of change in M_1 does, however, give the impression that the monetary expansion in January as well as over the whole fiscal year so far has been understated. Take for instance the principal source of change in M_1, *viz*, domestic credit expansion. Net bank credit to government rose by as much as Rs 1,076 crores in January, which was Rs 1,057 crores larger than recorded in the same month of 1979. Similarly, increase in bank credit to private sector at Rs 627 crores was much larger than the expansion of Rs 180 crores a year ago. Foreign exchange assets did show a decline, but this has been more than offset by the higher expansion in domestic credit, so that the net result should have been a monetary expansion larger than the 0.9 per cent actually recorded. This did not take place because of the changes in the so-called 'net non-monetary liabilities' which is a mixed basket and includes a major element of 'errors and omissions'. In January, non-monetary liabilities of the Reserve Bank and the commercial banks together went up by an unbelievably high figure of Rs 1,060 crores. This means that to the extent the effect of any of the components or sources of change in M_1 is not taken into fuller account because of under-reporting or delay in reporting by the banks, the balancing of aggregate money supply on the one hand and the sources of its change on the other is taken care of by the so-called non-monetary liabilities. Therefore, when the money and banking data are revised in course of time, the dimensions of the variation or even its direction may not be the same as now indicated by the provisional data. In the nature of things, therefore, from the policy point of view it would be better to concentrate on the behaviour of a few key monetary variables rather than on aggregate money supply or M_3 for that matter.

Turning to the trends in the fiscal year 1979-80 (till end-January 1980), the growth rate of M_1 stood at 10.4 per cent as compared with 15.4 per cent in the corresponding period of 1978-79. Currency rose by a smaller amount of Rs 919 crores compared to Rs 1,190 crores and the expansion in deposit money was Rs 1,355 crores which was also lower than the increase of Rs 1,650 crores last year.

Among the principal factors responsible for monetary expansion, governmental borrowings from the Reserve Bank and commercial and co-operative banks amounting to Rs 3,000 crores were more than four times the rise in the same period of 1978-79 (Rs 666 crores). The Reserve Bank's lending to government itself accounted for about Rs 1,900 crores as against Rs 296 crores last year. Likewise, credit to the commercial sector was about Rs 100 crores higher than the expansion last year because of renewed expansion of bank lending and investment since December 1979. With the balance of payments deficit of the recent period, external factors have tended to exert a lesser influence of money supply during 1979-80.

Banking statistics for January sh that aggregate deposits (time p demand) with scheduled commerc banks increased substantially Rs 224 crores as against a decline Rs 154 crores in January 1979. Ti deposits rose by Rs 283 crores wh demand deposits registered a fall Rs 59 crores. Investments in gove ment and other approved securit were up by Rs 390 crores compared Rs 97 crores a year ago. On the oth hand, there was a contraction bank credit, including participati certificates, of Rs 97 crores, in co trast to a rise of Rs 29 crores January 1979. The larger flow deposits coupled with return flow credit seem to have enabled the ban to reduce their borrowings from th Reserve Bank, which declined by Rs 1 crores as against a rise of Rs 1 crores last year.

Even with the sizeable increase i deposits in January 1979, however, th overall rise in deposits has been lowe (Rs 4,057 crores or 15 per cent) bot in absolute and relative terms tha that in the corresponding period o 1978-79 (Rs 4,186 crores of 19 pe cent). The increases in demand depo sits and time deposits were respectively of the order of Rs 1,158 crores and Rs 2,900 crores; in the comparable period of the preceding fiscal year, demand deposits increased by Rs 1,328 crores and time deposits Rs 2,858 crores.

The deceleration in the pace of credit expansion in evidence since November 1979 has got reflected in the trend for the whole financial year so far. Credit extended by commercial banks

TABLE

(Rs Crores)

	Variations in January		Variations in Financial Year	
	1980	1979	1979-80 (Upto end-January)	1978-79
1 Money supply (M_1)	+218 (+0.9)	+286 (+1.4)	+2,272 (+10.4)	+2,840 (+15.4
(a) Currency with the public	+277 (+2.6)	+377 (+4.0)	+919 (+9.0)	+1,190 (+13.8
(b) Deposit money (demand deposits with banks and other deposits with RBI)	−59 (−0.5)	−91 (−0.8)	+1,353 (+11.0)	+1,650 (+15.3
Principal sources of change				
(a) Net Bank credit to govt sector	+1,076 (+6.2)	+19 (+0.1)	+3,002	+666
of which RBI's net credit to govt sector	+806 (+8.3)	−62 (−0.8)	+1,895	+296
(b) Bank credit to commercial sector	+627 (+2.2)	+180 (+0.7)	+4,139	+4,034
(c) Net foreign exchange assets of the banking sector	−133 (−2.4)	+9 (+0.2)	+101	+694

xpanded by Rs 2,712 crores which as about Rs 300 crores lower than ıe increase registered in the first 10 ıonths of 1978-79. Both food and ion-food credit contributed to the ower rate of expansion. As a result, ıe incremental credit-deposit ratio ood lower at 67 per cent between pril 1979 and January 1980, compared to 72 per cent in the corresponding period of 1978-79. However, banks invested a larger amount of their incremental deposits in government and other approved securities during this period and the incremental investment-deposit ratio moved up to 40 per cent from a low figure of 16 per cent in the comparable period of 1978-79.

ASSAM

Cudgel of Chauvinism or Tangled Nationality Question?

Sanjib Kumar Baruah

IREN GOHAIN's characterisation of ıe recent events of Assam (*EPW*, ebruary 23) as chauvinism is not a ovel one. Much of the national ress, notably *The Statesman*, has been ıying precisely that ever since the ıovement in Assam on the foreigners sue started nearly six months ago. was a theme in the campaign spee-hes of Congress (I) leaders, though nce the election one has heard much ss of it. Whether there has been a adical shift in the attitude of those ı power at the centre is still prema-ıre to say since two major incidents f CRP atrocities — one on peaceful emonstrators and the other while res-onding to a breakdown of law and rder — have occurred since the hange of government at the centre. indeed there has been a change of ttitudes on the part of ruling elites nd sections of the national press the ıotivation for it may not be a conspi-acy suddenly hatched up against the ft — as Gohain believes. It may imply be because unlike Gohain, many ther people are seeing the intensity f popular feelings in Assam on the sue in spite of the simultaneous oc-urrence of brutal incidents of violence. fully share Gohain's concern over he monstrous violence that has taken lace in Assam. But I do not think at it is necessary to deny the peace-ılness of satyagrahas where thousands ave participated and to label authentic ports of CRP violence "phoney" in der to draw attention to the inci-nts of violence primarily against the indu Bengali and Muslim Bengali ommunities, but also against the ssamese community and to the tacks on the left. Gohain begins his port by promising to "penetrate the g of ideology" through dispassionate social science analysis. A social scientist, however, cannot afford to get carried away by the occurrence of violence that has a clear socio-political content. He has to measure precisely the extent and nature of that violence in relation to larger events and get to the roots of that social phenomenon rather than resort to explanations in terms of "mob fury" and "disturbances" — terms that rightly belong to the vocabulary of the gendarme.

Gohain's analysis of the events is a simple conspiracy theory. The left in Assam was getting strong; the evidence: the CPI (M) bagged eleven seats in the Assembly elections of 1977. The ruling classes trembled at the revolution of eleven Assembly seats and conspired to fight back with the "cudgel of chauvinism". The highly manipulable Assamese masses of course in unison became pawns in this ruling class conspiracy. Running through Gohain's analysis is a single consideration — that the CPI(M) and SFI are under attack in Assam. Such attacks should of course be exposed and resisted. But how far do the attacks reflect the dominant character of the movement in Assam is debatable. The attacks on communists in the 1940s in the thick of the Quit India Movement, no matter how reprehensible in themselves, would not warrant the interpretation that anti-leftism was the primary content of Gandhi's movement. An aspect of the events in Assam like the attack on leftists cannot be seen in isolation from the whole set of events and from the chronology of how the attacks on leftists have come about. Why was the CPI(M) alone isolated for attack? Is it because of its influence? Or could it be that a number of statements made by Jyoti Basu — no matter how reasonable they seem if cited without reference to the particular group psychology that exists in Assam today — managed to alienate completely the CPI(M) from the Assamese people? A February 9 report in the *Mainstream* notes that unlike the CPI(M) the CPI was "not physically attacked until very recently", though along with "almost every political party" its credibility had eroded. A recent report of an attack on CPI involved an attempted eviction of tenants by landowners. To anyone familiar with the thousands of instances where landlords all over the country have evicted tenants following land reforms legislations, an attempt to exploit a movement demanding the expulsion of foreigners, the bulk of whom are peasants, is hardly surprising. Such attacks of course should not be condoned. But they cannot constitute the defining element of the complex events in Assam.

Hiren Gohain builds up his conspiracy theory with the help of a few more inaccuracies and half-truths, displaying skills no less than that of the Assamese press, which he rightly condemns. (a) He claims that "elements" of the Janata party and the Congress had joined the agitation with "unbridled enthusiasm". In support he cites the name of one Janata MP and not a single Congress personality! (b) He has quoted the RSS General Secretary Rajendra Singh's statement that Hindus from Bangladesh should be allowed to stay, but the Muslims sent back. He leaves out the important fact that all the organisations involved in the agitation in Assam have publicly condemned the statement. (c) According to Gohain, "since the youths in the movement are not given clear instructions as to the procedure for detection and expulsion of foreigners ... incidents of violence and intimidation were bound to increase". He cleverly implies that the leadership of the movement is calling for the expulsion of foreigners through mass action. That is blatantly untrue. The leadership, some may argue, is at least indirectly responsible for creating a climate of intimidation between various communities. But this type of reasoning, which overlooks the history of years of continued influx and indifference on the part of appropriate governmental authorities and the fact that the issue has now become the rallying point of a mass movement, befits the law and order bureaucrat and not the analyst of social move-

ments. (d) The candidates of all-India parties, according to Gohain, were prevented by force from filing nomination papers in the last election. The truth is that the postponement of election was the major issue of the movement in Assam. Many candidates of regional as well as all-India parties chose not to file nominations perceiving the popularity of the demand. Democratic elections are about popular support. When 'gheraos' of candidates adamant on filing nominations involved tens of thousands of satyagrahis, it obviously did not make sense to most candidates to file nominations with the help of military and CRP convoys. (e) The Assam government and the Assam Police, according to Gohain, have given "unconcealed support" to the movement. In truth it was the state government employees' associations of all levels whose support for the demands of the movement has determined the incapacity of the state government to use its machinery to suppress the movement, as Gohain might have wanted. (f) Gohain only grudgingly grants the importance of the major issue of the movement — the influx of people from East Pakistan, and that too, when it suits his argument. According to him they were brought in by successive Congress governments trying to "contain the progress of Leftist forces". It is a far-fetched explanation for a phenomenon that started at the beginning of the century and is primarily rooted in economics, though the era of vote banks was certainly a contributory factor.

The problem with Gohain's analysis is that he refuses to take the question of influx into Assam, which rightly or wrongly is the central focus of the present events in Assam, seriously. It is not a question of agreeing or disagreeing with the aims of the Assam movement. But the fact is that immigration into Assam on a scale that has few parallels anywhere in the world, within a relatively short period of time, has hopelessly tangled Assam's nationality question. In that single fact and the unwillingness of some leftists to come to grips with that reality lies an explanation for why "chauvinism", as Gohain puts it, "has since Independence been the deadly enemy of all radical and genuinely democratic forces in Assam". The influx into Assam has a long history. The issue has been a central theme in Assam's politics at least since the 1930s, though since Independence it has been addressed more in the back rooms of political intrigues rather than as a public issue. It is false to expect to have an understanding of the events if one begins that history at 1977 when the CPI(M) won eleven Assembly seats.

The origins of immigration into Assam began at the turn of the century when Assam's virgin lands were opened up for settlement by landless peasants from East Bengal. The immigration and settlements were not controlled. The influx that began with the building of the railway link between Assam and East Bengal was so huge that already by 1911 the Census Superintendent had anticipated some of the tensions that the flow was likely to generate, unless regulatory measures were taken up. The immigration, he noted, was "likely to alter permanently the whole future of Assam and to destroy more surely than the Burmese invaders of 1821 the whole structure of Assamese culture and civilization". It is impossible to appreciate the size of this influx without referring to concrete figures. The following table shows the population growth rate of Assam compared to that of the rest of the country:

	Assam	All-India
1901-11	16.8	5.7
1911-21	20.2	—0.3
1921-31	20.1	11.0
1931-41	20.5	14.2
1941-51	20.1	13.3
1951-61	35.0	21.6
1961-71	34.7	24.6

Analysing the census data for Assam during the period, the political scientist Myron Weiner has calculated that the migrant population and their descendants in 1971 were approximately 8.5 million as against an 'indigenous' population of 6.5 million. It is difficult to imagine any situation where such an influx would not cause social tensions and resentment, except perhaps under exceptional conditions of expanding economic opportunities such as that of the United States during boom periods.

According to Gohain, the different communities in Assam "have been living as peaceable neighbours for generations" till suddenly the ruling classes decided to infuse a dose of "chauvinism" into the Assamese. Gohain is certainly right about the relations between Bengalis and Assamese, Hindus and Muslims in the pre-influx period. But what has developed i Assam as a consequence of the continu ed influx is not a composite societ of peoples who mingle with one anc ther, but a plural society of *separat* communities. It is the structurin effect of sudden demographic chang rather than the "cultural weakness c the Assamese ruling elites", as Gohai alleges, which can better explain th "non-integration of the non-Assames into Assamese society".

The concern with influx has had long history in Assam's politics. I the face of local resentment, the Britis instituted the Line system in the 1920s excluding certain tribal areas from th new settlers. There were protest against the inadequacy and inefficac of the Line system. By the 1930s th influx became such a central concer in Assam that it even influenced th Assamese response to the nationalis movement and to the question of parti tion. Maulana Bhashani, the note peasant leader from present-day Bangla desh, migrated to Assam in 1928. He demanded the abolition of the Lin system and put forward the idea of a unified 'Bangasam' as a solution to the problem of East Bengal's landless ness. The Congress opposed the Muslim League's demand for unlimited immigration and promised an Assamese homeland within a federated India. They agreed to make 1938 a cut-off point and to provide all immigrants who came before that date with wastelands, where possible, after providing land to the local people. The Communist party too then supported that position. In the decade prior to Independence and partition, while the demand that Assam become part of Pakistan was mooted, "sponsored immigration" was initiated by the Muslim League government of Md Saadullah. The political instability in Assam during the decade prior to Independence, with seven elected governments and a period of Governor's rule, was precipitated by nothing else but the influx issue. Popular memory is proverbially short. But if some people in Assam today find in the suggestion of 1971 as a cut-off point the farcical repetition of history they cannot be blamed for having a relatively good memory.

The failure of Independence and partition to put a stop to the influx from East Pakistan (subsequently Bangladesh) is the major source of resentment underlying the present movement. The uninitiated might wish that the movement did not have

a 'communal' or 'linguistic' aspect to it. But such wishful thinking ignores the impact that the influx has already made on Assam's nationality question. Assam's tangled nationality question has often bewildered the outside observer. After the language riots in Assam in 1960, a confused Nehru asked in a public meeting in Gauhati the rhetorical question: "Where else but in Assam can Assamese be the official language?" To the applause of the crowd he derisively said: "In Bombay?" Yet in the context of the changed demographic reality in Assam and the emergence of a plural society the question of the official language of Assam was far from self-evident. The riots on the issue bear bloody testimony to this. The applause of the crowd might have further confused Nehru. For little did he know that the meeting he was addressing was very likely to be attended only by the Assamese community. There were then three other major communities in Assam: the urban Bengali Hindus, the Muslim Bengali peasants and the hill peoples — most of whom later split away from Assam. While to the Assamese community anxious to defend themselves against the influx, the issue of Assam's official language acquired tremendous symbolic value, it succeeded in alienating the most indigenous of communities — the hill peoples who later constituted Meghalaya and Mizoram. The political leadership of the Bengali Muslim community skilfully insulated the influx issue from the language politics that dominated the scene by getting that community to return Assamese as their mother-tongue to the census enumerator. The language controversies in the state were therefore primarily conflicts between the Assamese and the urban Bengali Hindu communities. In the vastly changed demographic reality of Assam, the Assamese were now dependent on some bargaining with the other communities even to realise the dream of a linguistically defined Assamese homeland. Next to Jammu and Kashmir, Assam was a state where the majority linguistic community had the slightest of margins — they constituted a bare 57 per cent of the population in 1956. The slender majority only partly reflects the traditional diversity of the region.

It is important to note that a political arrangement between leaders of different communities was crucial to Assam's political stability since Independence. The political parties dependent on support across communities tacitly agreed not to raise this inconvenient issue. But they had hardly contributed to a genuine integration of the communities and the evolution of composite cultural patterns. That accounts for thire total ineffectiveness in the current situation. While on the whole the politicians succeeded in putting a lid on the influx issue, it had occasionally burst into the open threatening a political crisis each time. In 1965 when relations with Pakistan were deteriorating, the state government under instructions from the centre, activated the police and administrative machinery to expel Pakistani "infiltrators" and fixed June 1965 as the target date for expulsion. Hundreds were expelled. But the process had to be stopped when eleven MLAs protesting that Indian Muslims were harassed in the process threatened to resign. Major Assam politician such as Fakhruddin Ali Ahmed and Moinul Haque Chaudhuri left state politics and joined the centre as a result of deadlocks over the issue of repatriation of Pakistani infiltrators. As recently as 1971, in the struggle for Chief Ministership of the state, Mahendra Mohan Chaudhuri hinted that his main rival Moinul Haque Chaudhuri was a Pakistani national. That in the middle of the present events, the Janata government in Assam fell and the new government of J N Hazarika was unstable was no "extraordinary fluke" as Gohain puts it. It was the result of the collapse of the old consensus of leaders in the face of a popular movement of unprecedented proportions.

To understand Assam's events today, Assam's nationality question, tangled primarily as a result of the influx, would have to be accepted as real. That accounts for many of the contradictory aspects of the movement. There is no doubt that the foreigners' issue has driven a wedge across the communities more than any other issue in the past. Yet the present agitation in Assam led by students, which has engulfed the most distant of villages and primarily involving socio-cultural and literary bodies of the Assamese community, is nothing short of the Assamese civil society in rebellion. It is no middle-class movement. The so-called ambiguity in the term 'foreigner' reflects only the historically structured contradictions of a mass upsurge — primarily based on one community and oblivious of the demographic changes in Assam — which in highlighting an old issue is having to pretend that the divides of a plural society do not exist. Given the explosiveness of the issue, the movement has sought to pose the issue in secular terms. But such a secular definition in Assam's complex ethnic reality has only succeeded in increasing the insecurity of various communities. Social scientists and Marxists all over the world are having to deal with complex ethnic realities that often co-exist with class realities. In some situations — South Africa being the most extreme example — it just will not do to say that the class reality is the only one. After all it is not the first time that a situation has arisen where Marxism has got mixed up with ethnic issues. In Lebanon, too, left and progressive ideas appear Islamic to the Christians. To suggest that Marxists and progressives should take ethnic realities seriously does not mean that they should support the present movement in Assam. They only should not leave the field wide open for those opposed to positive change to exploit. More concretely, they can build bridges across the communities in Assam. The basis for it, however, cannot be a confrontation with the movement with ill-founded slanders, which is bound to be construed as mere partisanship in Assam's ethnically polarised reality. Since there are many indications that there are many people in the Bengali Hindu and Muslim communities who want foreigners to be sent back, a genuine consensus of all communities on the issue can still be built. Unfortunately through Gohain's conspiratorial lenses those few healthy signs appear suspect. He alleges without any evidence that "members of minority communities were... *forced* to sign pledges and letters to the editor expressing total support to the cause of expelling 'foreigners'". It is perhaps difficult for Gohain to imagine scenarios worse than the CPI(M) losing its eleven seats. It would be very unfortunate if that happens. But the scenario that bothers me more at this point is much worse: a deadlock in the negotiations between the central government and students, a total alienation of the Assamese community from the political process, increasing CRP violence, further worsening of relations between the communities while the left watches on with its increasingly irrelevant categories and further erosion of influence and a blood-bath in Assam.

LABOUR

Industrial Violence: A Case Study

Sandeep Pendse

THE knowledgeable urban intellectual does not believe this, but owners of factories do make every effort to oppose unionisation of workers. Industrialists are not, in spite of the current myth to that effect, helpless, unfortunate, innocent creatures held to continuous reason by rapacious 'privileged' workers. The owners accept the existence of unions only when all their efforts to prevent and break them have failed. The forms of the effort vary. Suave and sophisticated managements of large companies use subtle techniques, e g, corruption, veiled intimidation, legally watertight victimisation, promotion of inter-union rivalries, and use of the state machinery. Crude, inexperienced owners of new, smaller factories abuse workers, assault them and throw them out with no pretenses of legality. Both seem to be unaware of the considered opinion of some of our intellectuals that trade unions are corrupt, co-opted bodies which actually serve the interests of capital. They seem to find organisations of workers inimical to their interests, and leave no stone unturned to break or at least weaken them. Any industrial centre in India would supply a mass of facts to support these contentions. Victimisation of activists, lock-outs or fake closures, clashes between "groups of workers" and assaults on active workers are, however, not dramatic enough to disturb deadened sensibilities.

The incident at Taloja, a new industrial centre some 40 kms from Bombay, in mid-January was dramatic enough for most people to wake up. Three workers were killed and 13 injured on January 15 at Taloja. One worker was allegedly shot dead by the owner of a factory, one was killed in police firing and one succumbed to burns. The versions appearing in the press were generally garbled and unclear. The firing by the owner was made out to have been in self-defence. Four detailed reports, however, brought out the facts clearly. *Mumbai Sakal*, a Marathi daily from Bombay, was the first to call it a carnage perpetrated by the factory-owner and his hired goons. The most exhaustive was the report of the fact-finding team of the Committee for the Protection of Democratic Rights (CPDR). There was, however, no outcry, no strong protests. Most trade unions also, surprisingly, were not every vocal.

The facts of the incident are worth noting in detail. They illustrate the latent violence in the industrial relations scene in and around Bombay, as well as the workers' conditions, particularly in the smaller factories, and the situation in the new industrial centres which surround cities like Bombay. It should also be noted that the form of the Taloja incident was extreme, but the factors leading to it are by no means unique.

Taloja is a village eight kms from Panvel on the Pune-Thana road. It was developed as an industrial township by the Maharashtra Industrial Development Corporation (MIDC). Most factories here started in 1971 or after. 80 factories are functioning in the area. The total number of workers is around 9,300. A few of the factories, including Indal, E Merck, Hindustan Lever, Fabricators, etc, are large units employing 400/500 workers. The rest employ anywhere between 25 and 300 workers. Wages in this area are, union sources claim, very low. Most labour laws are not enforced. Benefits like provident fund, gratuity, etc, are unheard of in the smaller units. Temporary and casual workers form a large proportion of the total labour force. In addition, the managements had been resorting to strong-arm tactics to repress the workers and to deny their rights. A Co-ordination Committee of workers from various factories in the area was formed on January 2, 1980 to, according to the CPDR report, "do something about the growing menace of management-aided goondas and the inaction of the police in protecting the interests of ordinary workers".

The Dispute

Pramod Rubber Industries, the seat of the strife, is a typical establishment of the area. It began production in July 1978 and, employing 56 permanent (?) and 15-17 temporary workers, manufactures tyre tubes for cycles, rickshaws, etc. The workers were paid between Rs 5 and Rs 6.50 per day, with only two or three getting Rs 12 or more. They were denied all oth benefits, including provident fund.

These conditions prompted th workers to join the Maharashtra Gen ral Kamgar Union, led by Dat Samant, in September 1979. On Oct ber 3, 1979 the management was ser ed a notice demanding increase wages, minimum statutory benefits lik provident fund, and permanency (th workers claim that all of them we temporary). The management decide to take a tough approach. One activ worker, Shivnath Yadav, was dismis ed from service. Intimidation workers followed. A few more worke were dismissed from service. Th CPDR report states, "We have bee told by reliable sources that in privat conversations the owners had boaste that they would teach the unio leaders a lesson". The situation wer on deteriorating. Production droppe to 30 per cent. The workers wer agitating and the owners were ada mant in their stand of not even con sidering the demands.

On October 13 workers confronte one of the owners, Ranjan Dixit. The squatted before his cabin and refuse to allow him to go till he held dis cussions with them regarding thei demands. Recognition of the unio was also demanded.

Some of the developments of this period are somewhat unclear. One version claims that production dropp ed because of the agitation of the workers, i e, their go-slow tactics Another states that the owners pur posely lowered production. On Octo ber 14, according to one version, the owners refused to admit workers into the factory and thus resorted to denial of work and a virtual lock-out. Another version states that there was a spon taneous strike. The truth probably lie midway. The owners, it is clear from al accounts, were keen to teach the wor kers a lesson. The workers too, it is rea sonable to assume, were militant and prepared to struggle for their rights and dignity.

The management moved the state machinery. The workers were on strike, claimed the owners. The strike was illegal, they further contended since the statutory 14-day notice had not been given. The concerned Assistant Commissioner of Labour found the owners' pleas valid, declared the strike illegal and ordered the workers to go back to work.

The workers accepted this decision and reported at the factory gates de manding work on October 30, 1979

hey were not allowed to enter and ere denied work. The workers com-lained about this to the police as ell as to the Assistant Labour Com-nissioner. The latter was unable to nforce even the presence of the anagement at the various hearings. laving declared the strike illegal, the ffectiveness of the 'conciliation' machi-ery came to an end. The police were, f course, unconcerned.

In the meantime the owners had anaged to bring some people to live n the factory premises and to work here. They were described as newly ecruited 'workers'. The workers harge that these persons were hired oondas. Later events seem to sub-tantiate this charge. The workers llege that they were repeatedly hreatened, abused and stoned by these ecruits. The workers were collecting t the gates and agitating. The owners were filing complaints against them or use of abusive language and hreats. In December the owners ransported finished goods out of the actory premises under police protec-ion. In the same month the tempo-ary shelter erected by the workers outside the factory gates was burned lown, allegedly by the owner's goon-las. The police once again failed to act. In spite of these grave provoca-ions, as the CPDR report states, "the workers had been peaceful throughout the three month-strike".

Mounting Tensions

Tensions were mounting in these conditions. The background is, how-ever, not exhausted by the above in-cidents. The area as a whole had been heating up slowly. Many factors were at work (1) 'Development' of this area has resulted in loss of land for many locals. The price of land when the MIDC and CIDCO areas were develop-ed was about Rs 3,500-4,000 per acre. In the Thal-Vaishet area the price of land in the wake of the proposed ferti-liser complex has been around Rs 15,000 to 18,000 per acre, it is said. Was this too a contributory factor to the ten-sion? (2) A large proportion of the workers are from the nearby villages. They have strong roots in the area and inks with the villages. (3) The manage-nents invariably consist of outsiders. The managements have adopted a ruth-ess policy in the newly industrialised areas of preventing the emergence of the 'pampered' labour conditions of Bombay. (4) The managements have direct and strong links with the police and other govrenment agencies in the area, much more palpable than, say, in Bombay. (5) Managements are also alleged to have propitiated all influ-ential local political entities. In the context of the elections particularly, all were in some measure or the other under obligation to the managements. (6) The managements had used the triangular political rivalries of the area, *viz*, Congress(I) *vs* PWP *vs* Janata to weaken the workers' movement. (7) The elections had made the politicians and the trade unionists unavailable. Workers were lett to fend for them-selves.

On January 14, 1980 some workers, including three women, were return-ing from a vlliage two kms away named Padga, after having discussed their problems with the MLA of the area, Datta Patil (PWP), and others. As they were passing Pramod Rubber Industries, one of the owners and some others with him stopped them and asked them what had happened at the meeting. The workers refused to tell. The owner then allegedly fired two shots in the air with his revolver while those with him chased the workers wielding swords and threw stones at them. One of the workers ran to the police station and tried to register a complaint against the owner. The Inspector of Police refused to file a complaint on the ground that he had been patrolling the area and had not heard any gunshots. The workers then went to the gate of E Merck where the Co-ordination Committee was meeting. The members of the Commit-tee on hearing of the incident ac-companied the workers to the police station. They again tried to register a complaint. The police, they claim, be-haved rudely with them, abused them, and refused to register the complaint. The demand of the Co-ordination Committee members that the weapons kept in the factory be confiscated was also ignored.

The Pramod workers went to the police station once again, accompanied by a colleague Vishnu Patil, who had been injured in the incident. The police not only once again refused to register a complaint but also arrested Vishnu Patil. He was released on bail only later.

According to the police, there was no incident of firing. As per the police version, on January 14 in the evening the striking workers of Pramod Rubber Industries assaulted the owner for questioning them. A constable injur-ed in the stone throwing had already registered a complaint and hence there was no need for another complaint.

The members of the Co-ordination Committee were dissatisfied with the police response and angry about their attitude. They decided to protest. A general strike was decided upon for the next day, i e, January 15. It was also decided that the workers would march in a demonstration to the police station.

Incident of January 15

The incident of January 15, the day of the general strike and the protest march, are described in detail by the CPDR fact-finding team. Its report says :

> The next morning a large number of workers gathered at the gates of E Merck. There were speeches and preparations before the morcha start-ed. According to the police and the *Times of India* version, the workers at this moment stopped the car of Jaykaran Dixit as he was on his way to Pramod Rubber Mills and tried to attack him. In self-defence Jaykaran Dixit fired with his re-volver and injured some workers. Then he sped away to his factory. This version was vehemently denied by all the others we interviewed, in-cluding workers of different fac-tories, the director of one factory and the security officer of E Merck and injured workers.
>
> According to them, at about 8.30 a m Jaykaran Dixit, one of the owners, coming in his car saw the crowd and started firing from the speeding car (MMB 1617) when more than a 100 ft away from the crowd. He zoomed past shooting and an-other person sitting next to him was waving a sword. Some workers were injured, one of whom, Ram Yadav, of Taloja Rolling Mills, we met.
>
> Dixit sped away along to the fac-tory, entered the building and again fired at a small crowd that was standing at the gate. Atmaram Tukaram Khoparkar, a worker in Universal Cans and Containers, died on the spot at the gate. The news spread rapidly and workers and villagers from all around gathered outside the factory gates. The firing from inside continued, and stone-throwing, hurling of soda-water and beer bottles started. The workers retaliated with stones. Some people were injured, including sub-inspec-tor Banasode.
>
> Some of the Co-ordination Com-mittee members rushed to the police station and came back with more policemen and the Inspector. Late in the morning (around 11.30 a m) a fire started in the factory. The workers say that the owners them-selves (they were inside the factory all day) started the fire; they saw the toughs spreading rubber solu-tion (solvent) on the floor and one of them fired at an acid tank injur-ing one (letter to the Chief Minister from Co-ordination Committee); the

police say that some people in the crowd started it.

The newspaper report (*Times of India*, January 17) that Dixit fired and killed Khoparkar because the crowd set fire to his factory has been disproved by all accounts. It has been clearly established that Khoparkar's death took place at about 9 a m and the fire started only after 11 a m. A proper inquiry into the fire is necessary, especially since there were many combustible things on the ground floor — rubber, oil, etc. When we visited the factory we saw that on the ground floor except for the RCC structure everything was burnt in the fire. A car and van parked outside were destroyed in the fire. The second floor, a small room and a terrace, were untouched by the fire. In this small terrace we saw a pile of bricks and stones, a big wooden box full of empty bottles, some big stone tiles indicating that there had been prior preparation for an attack by the owners. Apart from this we saw stones and bricks lying scattered all over, obviously a result of stone throwing. The police pointed out holes made in the wall next to the frame of the door on the second floor — to fire from, behind the shelter of the wall and door?

In the early afternoon a police Inspector entered the premises and seized a revolver and an axe-like weapon, 'chandrapashan', from the owner and his toughs. The police were told that there was no other gun. But at 2.30 again there was firing from inside the factory and Ramdas Dhotane from E Merck was injured.

The police claim that the fire brigade came in the afternoon but the crowd beat it back. In the afternoon the SRP arrived, and at about 4.30-5.00 p m there was lathi-change, teargas and police firing in which Prabhakar Patil from Transformers was killed and several injured. The crowd dispersed.

The police entered the premises and arrested the two owners, 32 toughs and three other workers from the crowd. The police also seized some weapons and another revolver from the owners. In the next few days they arrested some other workers and warrants were issued against leading Co-ordination Committee members, some of the injured and Pramod workers. The workers who had sustained injuries near the acid tank, Anil Mhatre and Venugopal, died after a few days. As we were sitting in the police station one of the Co-ordination Committee members was brought in, arrested.

On the basis of our inquiry into the incidents of those two days we can conclude that the incidents were provoked by the aggressive behaviour of the owners and the police inaction in protecting the workers and disregarding complaints on the 14th evening, that the owners had obviously planned to attack the workers and that premediation was evident in some of their actions :

(1) The unwillingness of the owners to accept the unionisation of their workers. We have been told by reliable sources that in private conversations the owners had boasted that they would teach the union leaders a lesson.
(2) Their unwillingness to take back the workers even when they reported to work.
(3) They were carrying revolvers on their persons.
(4) The hiring or retaining of outside 'workers' on the factory premises, who were openly active in every confrontation with the striking workers.
(5) The piling up of arms like swords, 'chandrapashan', etc, on the factory premises.
(6) The collections of stones, bricks, tiles, empty glass bottles.
(7) The openly provocative threats and other intimidating tactics against the striking workers. The stoning of workers on 14th January evening when there was no provocation.
(8) Only partial surrender of arms on 15th afternoon.

The fact that the workers and villagers reacted spontaneously against management/goonda aggressiveness and police passivity can be surmised from the following facts:

(a) This was only the third meeting of the Co-ordination Committee and they had not taken up the case of Pramod Rubber Mills for any specific discussion; they heard about the incident (14th) only after their meeting was over. Also the Co-ordination Committee consists of workers affiliated to different unions; so it is very unlikely they could plan an attack on the owner of the smaller firms in the area.
(b) The Pramod workers' strike had been peaceful for three months, and no major incidents had taken place or complaints been made by the owners. Nothing serious had occurred on or before January 14, 1980.
(c) The morcha did not reach the police station, its venue, because of the private firing on the peaceful gathering. This firing naturally angered the crowd which rushed to the factory. The police officers also stated that if Dixit had not fired at the gates of E Merck, the subsequent incident would not have occurred.
(d) The workers who were killed and injured were not working in the Pramod Mills. It is irrational to assume that they had anything personal against the Dixits. It seems logical to assume that 5,000 people would get enraged only under grave provocation.

Continuing Struggle

A few more facts need to be pointed out. The workers of all the factories in the area had participated in the strike and the march on January 15. This action of the workers, though formally called for by the Co-or tion Committee, was largely inspired and self-willed. The ordination Committee itself is a duct of the workers' own effor come together and struggle unit The workers protested against carnage of January 15 by contin the general strike. There was a ma rally on the 16th. The Co-ordina Committee expressed its determina to continue the struggle for the l mate rights of the workers. Tha why perhaps its members have bec a target of police wrath. They reportedly being persecuted and t ed like criminals.

On January 15, the news of death of Atmaram Tukaram Kopar a worker from E Merck, reached village Penghar. Similarly, the n of the injuries to other workers f nearby villages also spread to th villages. The mass of people wh surrounded Pramod Rubber Mills composed of workers from the a and the villagers. By then the ' and order' machinery had swung i action. Top police and other offic of the area had reached the gates Pramod Rubber Industries. Sect 144 was proclaimed on the spot. T incensed mass of people was by th in no mood to listen to these cials. It continued its attack on factory defying lathi charges and te gas attacks. Only the arrest of owners and their goondas satisfied people.

Both the owners Jaykaran Suryab Dixit and Ramprakash (Ranjan) Di a bus driver, two cleaners, eight se rity guards and 22 others have be charged under sections 302, 307 of IPC and other sections. Many work and members of the Co-ordinat Committee have been arrested a charged with sections 147, 148, 1 etc, of the IPC.

Temporary peace has returned the area. The case will probably d on till most people forget the inc ent. The incident does however pose the attitudes of the owners, partsanship of the police and an ineff tiveness of the government labo machinery. It also highlights the f that workers are not prepared to ta oppression lying down. They are p pared to struggle for their rig wherever the industry may be locat

Finally, it must be mentioned t all those individuals and organisati who have been extremely vocal decrying industrial violence workers) have remained complet silent on this incident.

OMEN

Rape and the Law

P A Sebastian

he incident took place in a village lice station in Nagpur district more an eight years ago. By the time the ory begins, Mathura, then aged tween 14 and 16, had developed a lationship' with Ashok, the cousin Nushi at whose house she used to ork, and had begun to live with him. On March 26, 1978, Gama, athura's brother, lodged a report at Mathura, his sister, had been idnapped' by Nushi, her husband, d Ashok. They were all brought to e police station at about 9 p m when eir statements were recorded. When eryone started leaving the police ation around 10.30 p m, Tukaram, e head constable and Ganpat a conable directed that Mathura remain the police station. What happened ereafter is that she was first raped Ganpat and, after him, by Tukaram, ho however only molested her ecause he was too drunk to forcibly ive sexual intercourse with Mathura.

The two constables involved in the cident were in due course tried and equitted of the charge of rape by the ssions Court. The Bombay High ourt reversed the decision of the essions Court and sentenced Ganpat d Tukaram to rigorous imprisonment five years and one year respectively. he accused went to the Supreme ourt in appeal and the Supreme ourt reversed the High Court verdict. his verdict of the Supreme Court has d to widespread protests and comittees against rape have been formed places like Bombay and Delhi hich are demanding the opening of he case by the Supreme Court as well s amendment of the rape law in India.

Under Section 375 of the Indian enal Code, a man is said to commit ape when he has sexual intercourse ith a woman under the following rcumstances: (a) against her will; (b) ithout her consent; (c) with her connt, when such consent has been btained by putting her in fear of eath, or of hurt; (d) with her connt, when the man knows that he is ot her husband, and her consent is ven because she believes that he is nother man to whom she is or beeves herself to be lawfully married;) with or without her consent, when e is under sixteen years of age.

The Supreme Court focused on the third component of Section 375 — with her consent, when such consent has been obtained by putting her in fear of death or of hurt. The Supreme Court found that among other things, (1) Mathura passively submitted to the sexual intercourse; (2) passive submission amounted to consent; and (3) the consent was not vitiated by fear of death or hurt.

Even if it is conceded that there was passive submission in the case of Mathura, there is a big difference between passive submission and consent. Every consent involves a submission; but it by no means follows that a mere submission involves consent. Consent is an act of reason, accompanied with deliberation, the mind weighing, as in a balance, the good and evil on each side. Consent means an active will in the mind of a person to permit the doing of the act complained of.

Mathura was a forlorn young girl. She came from a poor, humble background and hardly had any education. In the dead of hours of the night, the atmosphere in a police station is forbiddingly fearsome and not conducive at all to the free exercise of one's mental faculties. The calling and retaining of her in the police station was against the sanction of Section 160(1) of the Indian Penal Code. Moreover the relationship between the constables and Mathura was such that they could dominate the will and mind of Mathura and obtain an unfair advantage over her. In such a situation it can be reasonably presumed that Mathura was stupefied and stunned and her passive submission, even if such were the case, did not amount to consent either in fact or in law.

The Indian Evidence Act categorically says (1) that no confession made to a police officer will be proved against a person accused of any offence; and (2) that no confession made by any person, while he is in the custody of a police officer will be held against such person. The presumption is that there is an atmosphere of coercion in every police station and around every policeman, and the people in police custody are incapable of exercising their free will. If a confession can be vitiated and invalidated by the presence of policeman, is it not reasonable to assume that the consent for sexual intercourse given by a young girl to two police constables, while she is in police custody at the dead of night, is not free consent and therefore null and void. A woman considers the sanctity and inviolability of her person as precious as her own life. It is preposterous to say that she will of her free will surrender it to two strange, drunken constables on the floor of a latrine within the four walls of a police station — the actual conditions in which Mathura was raped and molested.

There being no consent, the question of whether the consent was given under fear of death or hurt did not arise. The case should have been considered under the second component of the section "without her consent". It seems that either Mathura did not give her consent at all or that she gave the consent under undue influence. In both the cases, there was no consent.

The Indian rape law was enacted more than a century ago. It requires amendments in the light of the past experience. The consent under undue influence must be explicitly made invalid in order to avoid confusion in the cases like Mathura's by adding "or under undue influence" to the third part of Section 375 immediately after "or of hurt".

Another amendment that is needed is regarding the fifth component of the section. A man commits rape when he has sexual intercourse with a woman with or without her consent, if she is under sixteen years of age. In the Indian Penal Code the word 'man' denotes a male human being of any age. In European countries, if both the boy and the girl are minors and the sexual act is with mutual consent, the boy is not punished. But in India the boy will be punished even if he is a minor and the girl has given her consent. This is unfair and unjust.

Take the case of Mathura. She is a minor, she was in love with Ashok, her lover, and was living with him. Her brother, Gama, made a complaint to the police that his sister had been kidnapped by Ashok and others. In law Ashok could be charged with kidnapping and rape and could be punished with life imprisonment, irrespective of the fact that Mathura had voluntarily consented to everything. Taking a minor from the lawful custody of the minor's guardian is

kidnapping and sleeping with a minor girl is rape. Nevertheless any prosecution of Ashok would have been completely unfair and unjust because in reality he had not kidnapped or raped her.

The Superme Court's Judgment in case of "Tukaram *vs* State of Maharashtra" illustrates the urgent need for reform as the law relating to rape in India. Some changes needed in the law relating to rape are suggested below.

(1) The definition of rape must clarify that consent given on an apprehension of fear of death or hurt is no consent.

(2) Consent under undue influence or coercion must be no consent.

(3) If the person alleged to have committed rape is a police functionary, once it is established that sexual intercourse took place in a station with a policeman on duty, the burden of proving that the woman consented will be on the accused (i e the police). The amendment is being suggested because of the many shocking cases of rape by the police that have come to light in recent times such as the case of Rameeza Bee in Hyderabad, Mathura in Maharashtra and the incidents alleged to have taken place in Narayanpur, Uttar Pradesh. Police personnel misuse their authority and turn into a weapon of power to subjugate helpless and defenceless women. Those responsible for enforcing law and order must be first made accountable for misuse of power, before we can talk of defending the rights of women.

(4) When a waman reports rape to a police station, she must be questioned by a woman police officer.

(5) The definition of rape must make it clear that the crime can take place without overt violence, or when the man does not care whether the woman consented or not.

(6) Once a woman has reported rape, it must be illegal to publish her name or give any information that is likely to identify her.

(7) The woman should not questioned in court about her sex reputation or sexual experience w men other than the accused, may the accused man give evide about this. There may be two ceptions to this:
(a) when the man'a lawyer persuade the judge that he evidence to show that the wom has previously behaved in a w which is similar to the way she haved at the time of the alleged r and that this evidence is cru because it shows that the wom has particular sexual habits that relevant to the defence. (For ample, that she went to a club ev Saturday night and picked different man and took him back her home to have sex with him she did at the time of the alleg rape.) (b) If the woman or anoth prosecution witness claims that s the alleged victim, is 'of good ch acter' in sexual matters, that t man's lawyer can bring evidence show that this is not true.
The changes suggested in items 5, and 7 have been made in the UK the Sexual Offences (Amendment) A of 1976.



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Prospects for Labour

Kirsty Malcolm

IT has been the Season of the Mole in British politics. First came the Royal Mole, Sir Anthony Blunt, one time art advisor to Her Majesty, who recently admitted purveying sensitive information to the Soviet Union soon after World War II. Then followed a succession of Red Moles, caught nibbling away the entrails of the Labour Movement, by the hounds of Fleet Street. Hard on their heels appeared reports of Blue Moles, in the form of CIA and NATO agents, already entrenched in the body of the leading working class party.

This mole hunting is symptomatic of the unease afflicting the Labour Party, which was aggravated in May by its worst electoral defeat since 1931. The right wing of the party, consisting of rightist social democrats and moderate trade unionists, attributed the defeat to a close identification of the party with militant trade unionism in the public consciousness. Conversely the left wing, made up of leftist social democrats, marxists and militant trade unionists, blamed the setback on Labour's lack of commitment to genuine socialism.

When the controversy became embarrassingly public, the leadership decided on an inquiry into the structure and future direction of the party. The composition of the inquiry commission (dominated by the left wing), itself became a bone of contention. It was against this background that the predominantly anti-Labour press waded in with the revalation that the party has been infiltrated by a Trotskyist sect known as the 'Militant' tendency: The Red Moles. According to these reports the secret group named after its publication, The Militant, has systematically infiltrated the Labour Party at grass-roots level, radicalising the party activists to an extent which has left most of the leadership, headed by the moderate James Callaghan, ideologically marooned.

Sensationalist reporting notwithstanding, it is widely known that the Labour Party's Young Socialist wing is dominated by the 'Militant' faction, which also enjoys the tacit support of a dozen back-bench Labour members of Parliament. The Militants do not deny their allegiance to Leon Trotsky, who, as they point out, believed that socialism in Britain could be ushered in by parliamentary means. Since Labour is the movement of the working class, they consider it perfectly legitimate to join it and work through it to effect Marxist-Socialist changes They cite their present ascendancy in 70 out of 635 constituencies as proof of the correctness of their tactics.

The right wing, however, argues that the very existence of such a body within the party is a contravention of Clause II of the party constitution, which states that "Political organisations having their own programmes, principles and policies for distinctive propaganda (within the party) shall not be eligible for affiliation".

The subject first came up five years ago, when the Labour leadership appointed Lord Underhill, a party functionary, to investigate the far left infiltration. His report was circulated among the party leadership, but never published. The non-publication of this report has been used by the mass media to resuscitate the issue of infiltration. Most of those who have been privy to the findings agree that they are based on documents of doubtful veracity, and are therefore against publishing the report under the aegis of the party. According to Tony Benn, who has read it, some of the documentation, delivered anonymously to the party headquarters, may in fact have originated in the British Security Services. It was therefore decided at a recent National Executive Committee meeting that any investigation into the 'infiltration' of the party must include not only the activities of the far left, but also those of the CIA, the British Security Services and of big business interests.

It is no secret that certain business interests would welcome a breakup of the Labour Party. The timing seems to be opportune. The right wing, led by Roy Jenkins, is dis-affected by militant trade unionism and finds itself more in sympathy with David Steel's Liberal Party than with the party's left wing. A recent poll according to which 39 per cent of Labour voters felt that the party has moved too far to the left, provides ample grounds for a redrawing of the British political map.

Among those unlikely to be depressed at the prospect of a split in Labour's ranks are the radical left parties, comprising the International Marxist Group (IMG), and the Socialist Workers' Party (SWP) — both Trotskyist — and the pro-Moscow Communist Party of Great Britain (CPGB). Both Trotskyist groups have long disagreed with the 'entryist' tactics of the Militant tendency. "We are not interested in being... moles inside the Labour Party", says Tariq Ali of the IMG. "The reformist, social democratic policies of the Labour Party will do much of the undermining of the party themselves." The larger SWP shares Tariq Ali's views and is discussing a possible merger. Part of their motivation is to create one viable organisation, and make an attempt to build a base among the urban workers, which is their main area of weakness. Both parties openly envy the CPGB its strength on the shop-floor.

With a membership of 20,500, — five times that of the two Trotskyist groups combined — the CPGB is the greatest influence on the left of the Labour Party. Most of its members are active in industry, and the party claims to have at least one member on the executive of every major union in the country. The CPGB's strategic value in Britain's industry is epitomised by the four month old dispute surrounding Derek Robinson, chief shop steward at British Leyland, the giant car works. Robinson became the prime target of management by organising resistance to planned large-scale redundancies. "It was either Robinson or me", said Managing Director Sir Michael Edwardes, after firing Robinson. The controversy now raging between the workforce, Edwardes, Robinson and the unions is grist to the mills of Fleet Street. Public opinion is being polarised. Conservatives and moderate trade unionists see in it an example of escalating union militancy, while for the Left it represents a glimpse of the union-bashing that is in store from the Thatcher administration.

The Robinson case will no doubt have its effect on the members of the commission of inquiry. Their recommendations on the reorganisation and goals of the Labour Party are to be published in summer and put to vote at the annual party conference in October. Once the lines have been drawn, and only then, will it become clear whether the present fragile web that is the Labour Movement will hold.

Cabinet of Mrs Caligari

Sumanta Banerjee

WHAT is sauce for the goose need not be sauce for the gander in Indian demagogy. Even as Prime Minister Indira Gandhi was shedding tears over the police molestation of women in Narainpur village in the then Lok Dal-ruled state of Uttar Pradesh, a few miles away from Delhi in a village called Khanpurkalan in the Sonepat district of Haryana — ruled by Indira Gandhi's Congress(I) — the police were meting out the same treatment to the village women.

On February 8 — the day when Indira Gandhi's statement that "there are very few parallels in the world to the Narainpur episode" appeared in the Delhi newspapers — the police raided the Khanpurkalan village, ostensibly to arrest some smugglers, and ended up by arresting seven women, wives and relatives of the wanted smugglers, kept four of them for one night in the police quarters at Gohana, the tehsil headquarters of the area, and then removed them next day to Rohtak. The entire village panchayat of Khanpurkalan went to the station house officer of the local police station seeking their release, but were rebuffed. Needless to say, Indira Gandhi did not visit Khanpurkalan to find out what happened to the women in the police quarters. Concern for the honour of women among our politicians seems to change from place to place, from ruling party to ruling party.

The police of course will behave like the police, whether it is a Lok Dal, Janata, Congress(I) or a CPI(M) ruled state. But the pity of it is that political leaders can so easily get away with demagogy, choosing for political exploitation a particular incident of police brutality, while remaining indifferent to other similar incidents and refusing to go into the fundamental question of state repression. One of course does not expect Indira Gandhi, or any of the other ruling parties for that matter, to probe into this basic problem or make any attempt to change the repressive apparatus of the state. But what is significant is that the people in most parts of India, not only continue to be swayed by such demagogy, but have of late been betraying trends which appear to take them further away from any firm commitment to ideologies or movements for radical change. It is this that bears grave implications for the future of the Indian Left movement.

The severe anguish which Indira Gandhi appears to undergo when the rural poor suffer under non-Congress (I) regimes tends to encourage the masses to believe that their grievances result from the deliberate action of her political opponents. This had been her strategy right from the day of her defeat. One remembers how she was the first politician to visit Belchi to express sympathy for the Harijan victims of upper caste violence. Her reaction to the sufferings of the Muslims in Aligarh during the communal riots there in 1978 followed a similar pattern. But while such sentiments were forthcoming in response to incidents in the Janata-ruled states, her tears suddenly dried up when Muslims were killed in Hyderabad and other parts of Andhra Pradesh in an unprecedented outburst of communal riots there under the regime of her own partyman Chenna Reddy. And public memory cannot be so short as to forget the killings by the police in Muzaffarnagar and other parts of Uttar Pradesh during the Emergency. One, therefore, expects the Indian people after all these years of bitter experience to realise that the lot of the minorities and the downtrodden remains the same whether the regime is headed by Morarj Desai, Charan Singh or Indira Gandhi.

But apparently this is not the case. As the elections have proved, Indira Gandhi exploited the mass ignorance and low level of political consciousness far better than her rivals. It not merely shows the incompetence of the Janata or Lok Dal politicians in rabble-rousing or what is glorified as 'mass mobilisation', but also indicates Indira Gandhi's ability to sustain her popularity by a combination of a variety of appeals that click in the prevailing circumstances. The fact that a large number of voters could ignore the happenings of the recent past, and chose to opt for some illusory promises sustained by immediate frustrations with the existing state of affairs, speaks a lot about our people, and should open the eyes of those who are actively involved in fighting for a socio-economic transformation of the country.

An important component of popular gullibility is the desire to dissociate Indira Gandhi from her repressive apparatus. This psychology has b nurtured by her repeated utteran blaming the bureaucracy and the pol for the Emergency 'excesses' and ple ing her own ignorance about s happenings. The following incide described in a letter to a ne paper, sums up the popular attitud "On January 13, around 4 p m I alo with a friend, a government office wife, reached Mrs Gandhi's residen 12 Willingdom Crescent, in our driven by my 28-year old son who i great admirer of Mrs Gandhi... Abo 200 persons, mostly labourers and Cl IV employees, were standing near closed gate... Suddenly the gate open and everybody rushed inside wi shouts of 'Zindabad'. The moment set our foot inside the gate, there a peared a hefty security man who sta ed pushing out everybody savagely. stampede ensued and I fell on scooter... My son had his arm twis ed... the security man struck at m son's chin. We came back stunne bruised and humiliated." But even aft such treatment, the letter writer f from blaming Indira Gandhi is rath in a mood to sympathise with her, evident from the words which follow "This incident set our mind bac to such reckless actions by perso empowered to keep law and order, i vited the wrath of the people and ta nished the fair image of M Gandhi, during the emergency." (Le ter in *Hindustan Times*, February 12 It is reminiscent of the psychology the English educated middle-class British India many among whom use to think or liked to imagine that th Emperor was blameless and that it wa only a handful of 'bad' British officia in India who were responsible for th plight of the country.

It is people like the above-mentione letter writer and the "labourers an Class IV employees" who went t Willingdon Crescent and were kicke out, who voted and will continue to vot for Indira Gandhi. It is not without sig nificance that she polled more than 4 per cent of the total votes. As long a these voters nurse illusions about he possibility of a basic change in th socio-economic structure of the countr remains a difficult task. It is the illusions which will lead them to igno happenings in Hyderabad or Khanpu kalan, or make them oblivious of th Emergency happenings. Ignorance one of democracy's indulgences. Indir Gandhi's confidence in the ignoranc of the electorate served her well i

lefeating the false assumptions of her ivals — the Janata-Lok Dal hopes hat the people still nursed grievances bout Emergency excesses, and the Left llusion that "authoritarianism" and 'communalism" were the twin threats hat haunted the popular mind.

But what are even more alarming re not only the generally accepted low evel of political consciousness and mass gnorance, but the rather ominous signs f a certain type of dehumanisation hat has set in among our people. Quite nderstandably, the orgy of defections nd horse trading among the top politi-ians has percolated down to the nasses in the form of a cold and cal-ulated urge to make hay while the lection sun shines. Here is an instance f such mass psychology — again lescribed in a letter in a newspaper: 'I was a candidate from Chickpet consti-uency, Bangalore, in the last Assembly lections... while on my poll propagan-la rounds, I knocked at the door of a ouse when a middle aged woman came orward and was kind enough to offer ne a chair. When I told her the pur-ose of my visit, she was visibly appy and said that she had 18 otes and was willing to cast hem for a price. When I ex-lained to her the value of votes, etc, n a democracy, her attitude made me eel that I was wasting my time and inally she said if I was really interested had to approach her with purse in and... I never gave up and again went o a slum area. There an old woman, with two dozen women and children, ame rushing to me and shouted: 'I old you all that he (pointing out towards me) is my distant brother and he will certainly come to our locality, here he comes. You fools you were all till yesterday willing to sell away your votes for Rs 5 each, but now take Rs 10 from him in cash and cast your votes. While I was looking skywards and praying to God, she asked me 'Son, what are you waiting for? Open your purse immediately'.... she winked at her companions telling them, 'Look, this is cash money; no betrayal this time'." (Letter in *Deccan Herald*, December 4, 1979.)

While some among the revolutionary Left might gloat over such incidents nd theorise that the masses have re-luced elections to a farce and hence re ready for an alternative strategy or changing the system, in reality the ncreasingly developing attitude among he electorate has nothing to do with ny revolutionary change, but is one of heer unscrupulousness and opportu-ism. The high tide of protests in 1974, nd of hopes in 1977, has sunk to an bb of helplessness born of frustrations with the ruling politicians of 1977-79. In such a situation, the majority of the people would naturally draw inwards, looking after their own narrow interests, inclined at the worst to make good for themselves rather than take up a cause, and at best to take for granted corruption and tyranny.

If this trend continues, a stage may come soon when even the urge to defend self-respect or to nurture hatred for the oppressor will evaporate into meek submission. The election of Bansi Lal from the same constituency where he earned notoriety for oppressing the people, is an alarming pointer.

It is on the crest of this flotsam of popular illusions, wreckage of hopes, shoddy self-interests and cowardice that Indira Gandhi has come to power. These trends are reflected in the composition of her cabinet and its functioning. The new ministry might as well be described as the Cabinet of Mrs Caligari — to borrow with a slight change the famous title of Robert Weine's film classic of 1919. The parallels are quite eerie. In Weine's film, the hypnotist Dr Caligari exhibits his somnambulist Cesare as the usual peep-show attraction, but releases him every night to abduct and kill people. The way already the various Ministers in Indira Gandhi's cabinet are taking decisions is an indication of the shape of things to come. The ham-handed manner in which N K Singh, DIG in the CBI, was abducted from his home and taken to Haryana by the police, has already sent shivers of panic among the bureaucracy. The return of the Emergency hero Bhinder as Delhi's police boss superseding several senior police officials, has created disgruntlement among the police. The government is now planning to revamp the intelligence bureau and remove officers who were responsible for launching proceedings against the Emergency caucus. Developments in the Home Ministry are raising the old spectre of Emergency highhandedness.

The other important ministry which played a key role during the 1975-77 emergency was Information and Broadcasting. One of the first acts of the new Minister of this department was the dissolution of the Second Press Commission which had almost completed its report under the terms of reference fixed by the previous Janata government. It may be recalled that the resignation handed in by the members was a mere formality, which they did with a similar change in the government when Charan Singh succeeded Morarji Desai as the Prime Minister. Charan Singh however asked the Commission to continue. The decision of Indira Gandhi's government to immediately accept their resignation and reconstitute the Commission with a new set of members and change the terms of reference obviously betrays a definite political motive.

It is not without significance that the new government was quick to pass the Preventive Detention Ordinance promulgated earlier by the caretaker government of Charan Singh, into an Act. Incidentally, while in the opposition during Charan Singh's regime, the Congress(I) had opposed the same ordinance. Such shameless inconsistencies in behaviour, or blatant contradictions between professed statements and acts are not peculiar to the Congress(I). The Janata and Lok Dal, being a part of the same ruling elite, naturally share the same tendencies. Even the Left over the years has been infected by this sort of political chicanery. While opposing the Jana Sangh brand of communalism, they had no hesitation in striking up alliance with the caste-communalists like the Lok Dal or the Akalis. A section of the CPI(ML) on the other hand found justification in rehabilitating discredited and notorious anti-Communists like Samar Guha of West Bengal and supported them in the recent elections — all in the name of fighting Soviet social-imperialism!

It is no wonder therefore that in a situation where all principles get diluted, erstwhile enemies become friends and allies become estranged as fast as the perpetually changing amoeba, the general masses develop a sort of indifference to the intellectual content of ideologies. The next stage in this regressive journey of the masses is the tendency to accept social evils as normal. Corruption, nepotism, crimes which used to take place in politics behind the screen of Gandhian hypocrisy a few years ago have now become a legitimate part of the game. Even the Left accepts them, the plea being that they cannot be avoided as long as the present bourgeois state remains and the fight against them will have to start once the Communists gain power. The mass indifference to and acceptance of such norms encourage the ruling powers to ride roughshod over all the values that once constituted the backbone of the Left and democratic movement — loyalty to principles, honesty, self-respect, the courage to stand up against injustice.

It is this mass stupor that constitutes one of the biggest dangers in the coming years. Mrs Caligari has Cesares not within her cabinet, but outside among the people, who can be hypnotised to do whatever she commands in their state of somnambulism.

Lebensraum for Psychology

Satish Saberwal

The Inner World : A Psycho-Analytic Study of Childhood and Society in India by Sudhir Kakar; Oxford University Press, 1978; pp 213, Rs 50.

SUDHIR KAKAR belongs to a rare breed: one that writes psychology intelligently in India today. The most important and the most daring of his works to date, "The Inner World", delves into the Hindu psyche — its mechanisms and the processes of its formation in the individual person: during the intimacy of mothering, during one's shift to the other world of men for boys and of the in-laws for girls, and during one's lifecycle in various degrees of attachment to one's kin-and-caste group. All this happens in a social structure, and in this case both the psyche and the structure have been remarkably stable over time. The fit between the two is close; they reinforce each other. The psyche reveals itself in many ways: in the individual awareness; in the psychoanalyst's observations in his clinic; in worldviews — ideas of how the world is put together — Kakar calls them visions of reality; in myths and folktales; in the designs and goals for life; and in the lives, real or imagined, of the society's heroes and gods. These latter are part of culture, made by men and women, and in turn going into the psyche of succeeding generations. This culture, in the Indian case, goes back to Rig Veda and beyond. Psychoanalysis, anthropology, Indology, Hindi film songs — all are covered in Kakar's beat.

So serious a scholar has the right to ask for his argument to be understood before criticism is voiced. In so far as Kakar employs a single method, it is to consider the childhood, the social structure, and the cultural tradition successively in terms (1) of categories native to the Hindu tradition, (2) of comparisons with Western society, and (3) of the insights of psychoanalysis, used sensibly. In quick outline his model may be traced from the cultural devaluation of a girl in the Hindu tradition, a devaluation with important psychological compensation in the particular affection given her by her mother and others in the natal household. The boy, in contrast, receives enormous doses of nurturant attention — and demands; but these demands, says Kakar, are not for him to learn to cope with his environment with increasing autonomy but for him to compensate his mother for all that the social milieu denies her. This pattern of attentions and demands yields a relatively underdeveloped ego structure. While yet a child the boy would undergo initiation, and an abrupt movement out of the women's into the men's part of the house; the entailed separation from the mother appears to Kakar to have been traumatic enough to leave an abiding fear of loneliness in the individual psyche. The men's world too does not press the individual to tackle the wider world autonomously; one seeks strength in one's dependence on one's group. Kakar uses a simile from Schopenhauer:

> ...the basic problem of human relations resembles that of hedgehogs on a cold night. They creep closer to each other for warmth, are pricked by quills and move away, but then get cold and again try to come nearer. This movement to and fro is repeated until an optimum position is reached in which the body temperature is above the freezing point and yet the pain inflicted by the quills (the nearness of the other) is still bearable. In Indian society the optimum position entails the acceptance of more pain in order to get greater warmth.

Given the tenor of infancy with mother and of later life with kinsmen, the Hindu's pattern of thinking carries a greater measure of emotion and of visual images, characteristic of "primary process thinking" than of abstract concepts and causal relations, characteristic of "secondary process thinking". Given this weakness, and the associated weakness in one's confidence in one's own judgment.

> Indian men tend to search for external figures to provide that approval and leadership that is not forthcoming from their own insufficiently idealsed superegos.

One is reminded of the autobiography of a sociologist, widely acknowledged to be the "father" of Indian sociology, published some years ago: the autobiography is replete with his high percentages in various examinations in his youth and with excerpts from the testimonials his numerous books received from sundry foreigners; after a lifetime of teaching, writing, and publishing the poor fellow still needed these props to reassure himself of his own sense of worth!

Reading through Kakar's book one is struck by his unflinching search for the key elements of the Hindu psyche. While he cautiously suggests that his model refers to the upper caste Hindus only, he has picked his core group strategically, and therefore the model's usefulness can probably be extended in at least three directions, in three different ways:

(1) Kakar is, of course, aware of the immense variety of psyches — and of families and cultural traditions within India. In some of these cases — Sikh Jats, Syrian Christians — it may be possible to use Kakar's model as a standard base type, several of whose elements vary together to generate other types.

(2) In other cases a difference of labels may be seen to be hiding an underlying commonality. Given, for example, the presence of converts from Hinduism in overwhelming numbers in the ranks of Islam in India, it would be useful to consider whether the Islamising influences of another form of piety and of Islamic law have been powerful enough to make a difference to the nexus of psyche, family, and social structure, and if so in what direction. (The model may also help provide a psychological dimension to historical questions; for example, how would this kind of psyche have coped with the highly aggressive Central Asian invaders during the first half of this millennium? The answer would have implications for the long-term course of communalism in Indian society.)

(3) Even where Kakar's family structure is largely missing — among agricultural tenants and landless labourers of whatever caste — it should be possible to show that alternate mechanisms bring about similar outcomes in the structure of the psyche. Those who grow up — and whose ancestors grew up — finding that autonomous judgment is punished by the environment severely are unlikely to develop assertive psyches, confident of their own individual judgment.

In conclusion, Kakar has provided us with a paradigmatic achievement which shows, at the same time, how to secure the *lebensraum* needed by those who may sometimes find the confines of their own little disciplines somewhat suffocating.

China : Continuum in Struggle

hina Notebook, 1975-78 by Jan Myrdal; Liberator Press, Chicago, 979.

HAT is happening in China ? What the changes that are being brought out ? Are they a repudiation of o's legacy or its continuation ? How ld the most active elements of the eat Proletarian Cultural Revolution PCR) become the contra-revolunary Gang of Four ? What is imed by the four modernisations ? hat is the three world theory all out ? Is China revolutionary today ? ill the present policy of the Chinese mmunist Party (CPC) lead them forrd to progress or towards restoration an exploitative class rule ? These d many more questions are being sed today about China.

But China-watchers can be divided o two broad groups. Those who have nsistently opposed and rejected the inese revolution and those who feel at the Chinese experience and revolun has a universal validity, that it uates questions and problems correct- and also has gone a long way in inting towards its rectifications and swers. This group can be divided rther into those who feel that China revisionist and those who feel that hina continues to be socialist. Broadthe following arguments are presentd by the former: That the overthrow the gang of four was a *coup d'etat*. hat emphasis on production and iron ws of economics are precisely the asects criticised during the GPCR. That verywhere, in the field of management, ass participation, education, science nd technology, and foreign relations, ne role of profits and the participation f the working people whether in comunes or factories are being changed rastically. Those who maintain that China continues to be socialist claim nat: The overthrow of the gang of our was spontaneously appreciated by ne Chinese masses. That people can hange, contradictions can become antaonistic. That the changes being ought about are in conformity with ne legacy of Mao and GPCR. That nphasis on production today is only balance the earlier emphasis on eology and revolution. That a diactical balance, which Mao pointed out 1966 during the beginning of the PCR, is being undertaken. That hina being economically a backward ountry requires foreign technology, aid, nd capital not only to develop but lso to meet the threat posed by social imperialism. That people who have undergone the experience of the GPCR and become politicised are still the masters. That democracy is being emphasised. That the foreign policy of China is a correct response to the existing world reality.

Both groups quote profusely from the Chinese mass media and propaganda machinery, from evidence presented by foreign journalists, and emphasise this or that change. It is here that Jan Myrdal's book becomes interesting. Myrdal is known for his now classic book, "Report from a Chinese Village" and the sequal to it "China, the Revolution Continued". He is also known for his articles in the Swedish Press, his documentaries and travel accounts on China. He has travelled a lot inside China, extensively and intensively. Met, talked, seen, read. The present book is a selection of articles which appeared between 1975-78 in the Swedish Press. It is divided into three sections: reports from Liu Lin and Tsingtao; the exposure of the gang of four; and the foreign policy of China. Its interest lies in the fact that it encompasses reports from the period prior to Mao's death and it is a report on the daily struggle of the people. As Myrdal puts it:

> There are simple truths about the political and social reality that every working man in China, Sweden or the US understands but that are like a closed book to the metaphysical intellectuals. This is the case whether they be honest working professors like Bettelheim or like those university Leftists who one year reach their revolutionary happiness through what they believe to be Mao Tse-tung thought and the next year expand their inner consciousness through yoga and breathing exercises.
>
> The fact that Chinese developments have been distorted through reporting that is often metaphysical, when not downright hostile, is also an expression of the political and social struggles in China these last ten years or so (p 2).

The articles in this section are reports from the village of Liu Lin in 1975, and deal with achievements and current debates. The first article deals with day-care centres. Why is this so important ? What are the possible effects ?

> .....the fact that China is moving forward strikes us forcefully because she is doing it by her own efforts. She has thus become an example... But the way in which China is progressing and the discussions which are taking place are neither incomprehensible nor especially odd. In Liu Lin's production brigade, they have recently been able to set up permanent day-care centres for the work team's children.... Theoretical debates on day-care centres and their significance had taken place before. These discussions had been pushed for by the younger women, especially by those who had been active Red Guards during the GPCR (p 11).

Its importance lies in the fact that it frees labour power for productive work. It prepares children for collective work. Socialist ethics and morals can be imbibed in the children from an early age. It also creates the necessary conditions for real equality. It has in short, both a practical and ideological relevance.

The second article deals with the question of bourgeois rights under socialism. Agriculture had been mechanised partially, health-care centres had been developed, schools and day-care centres had been opened, small-scale industries had been started. But old issues and new problems cropped up. The brigade had been discussing: What is equality under socialism ? Should everyone get paid irrespective of the work, age, number of family members ? How much is to be distributed ? On what basis ? How much is required for the continuation and expansion of basic social security ? "...How are the work points really set ? How is it that the work day for women gives fewer points ? Why should physical strength give extra points ?" (p 20). These and other questions were raised during the discussions. According to Myrdal similar debates were going on all over China, in communes, in brigades and factories.

How is it possible for a ruling class to emerge which lives off other people's work under socialism ? Among other factors, education plays a very crucial role in reproducing a particular social relation. If the education is elitist, if it creates disdain for physical labour, if it adds to the already existing disparities between the city and the countryside etc, then a trend conducive to exploitative rule is strengthened. If there is a shortage of opportunities for higher education, who is going to be selected? On what basis? And who is going to decide ? As Myrdal reports, participation of workers and peasants in the policy-making and decision-making in Chinese education is a step forward. This was being done. Its

concrete results are also brought out. The role of the youth is important. During the GPCR, the long marches by the red guards to the countryside helped them learn and become disseminators of new ideas. Through their efforts certain changes were brought about in the contents in the schools and in enrolment processes. Myrdal mentions an interesting case to bring out the inquisitive and critical attitude of the youth and to highlight the way in which exploitative social relations reproducible were being curtailed.

One of my old friends, who had just returned to Peking after worked a year taking care o in a brigade said: "My daught taken up struggle against me. says I am a bad element. She oppress her... I have told he she may not go to a brigade the mountains..." I think abo daughter and wearied father. would have been the most un

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ple of all incidents in old China – a daughter against her father; a uth against an elder; a daughter of a official who wants to go out to illage life; open criticism and debate n the family. All this had once been nthinkable. Yet it is children who ill shut the backdoor! (pp 27-28).

What is the concept of justice under ialism? How does the brigade of Lin deal with cases of breach of ? What happens to those people? rdal mentions a case. The vice irman of the brigade is accused of bezzlement. He confesses. But, instead punishing him harshly, the brigade ides, "not to expel him but just to pend him for the time being. Dur- this time they would talk with him d help him get through what he had ne. In this way, he would become better cadre. Later when he had been nstated as vice chairman he would able to take greater responsibility d carry out harder work since the ack in his character would have been nded" (p33). Instead of punishing e recalcitrant, by letting him stay, ey were attempting to save him. he principle was to cure the illness save the patient" (p 33).

The articles in this section are short. ne language is simple (credit also goes the translator). The subject is in- oduced and situated in the perspec- ve of Liu Lin. They bring out the al issues, how they are being dealt ith and what are the problems. There e no exaggerated accounts. Problems id questions which remain unsolved e brought out simply. For example, ne author mentions that "problems main and are being brought out in ne open. Those young intellectuals ho cannot study at the universities in he big cities or who do not get posts n the big cities are not all content ith working in the countryside. As ar as I can see there will be some ather sharp struggles ahead with roups that try to hang on in Shangai r Peking without a proper job" pp 4-5). He also rejects the view that 0 years of cultural revolution were vasted, as much as the earlier view hat the pre-GPCR period was a waste. n the 10 years of GPCR, both ideo- gically and materially great advances vere made. It also does not mean that he cultural revolution was a complete uccess. Myrdal's contention is that vhatever be the outcome of the politi- al struggle at the central level, what vill be decisive is the outcome at the oots. It is the 'hundred names' of Kewi Alley which will decide the fate f China. But the articles were written n 1975. One cannot help but wonder what is happening in Liu Ling today.

The first section dealt with the period prior to 1976 October, the second deals with the particular role of the 'gang of four', the struggle, and the resolution of that struggle. What was the role of the gang of four? How did the people react to their overthrow? Myrdal was in Tsingtao, in the coast of Shantung, when the news of Mao's demise was announced. People were gripped by the loss of their Chairman. But the grief was turned into joy after the overthrow of the gang of four. "The mood is a most relieved one. Support for the new chairman, Hua Kuo Feng, gives the impression of being honest and very great.... Politics in China is like politics everywhere else, it expresses the real conflicts of real people... But the present 900 million in socialist China are facing enormous social problems, which must be solved. These problems concern the country's future development, and there are different interpretations as to the solutions to these problems...." (pp 57-58). There were spontaneous celebrations everywhere, reflecting a resolution of a conflict in conformity with the aspirations of the people. For four days people of Tsingtao demonstrated and indeed all the brandy of Tsingtao was drunk up. But why were the gang of four disliked? Myrdal explains that although the gang of four were a minority they managed, through their control over mass media, to propagate a pseudo radical line. In industries they emphasised revolution. Production suffered but their supporters did not care. In education their rejection of proficiency tests meant also rejection of higher education. They raised correct issues, but their solutions and actions were incorrect. They talked about revolution but personally were corrupt. Their attack on Zhou en Lai, and the way in which they handled the commemorative meeting in Tien Men Square for Zhou en Lai angered the people. Their line in the field of culture in which those who questioned their authority were forced out, their support for factional conflicts etc, were disliked. Production suffered and people's living standards were affected. Myrdal states that "in the industries and factories where they succeeded in winning some support, the gang of four took advantage of the fact that incomes are guaranteed in socialist China". They won over some young people to their line that "revolution and production are in opposition" (p 72).

All this could be true, yet Myrdal is weak in this section because many questions remain unanswered. How could the gang of four gain such power and authority? Was not the party aware of their role earlier? If they were, why wasn't anything done earlier? Do they have no contribution to make in the GPCR? Were they capitalist roaders from the very beginning or they became so? To be fair to the author, Myrdal's articles comprise reports from 1975-78 when the situation was fluid. Nevertheless, it would have been meaningful to include some more articles in this section on the concrete manifestations of gang of four's politics.

The last section comprises articles in support of the Three World Theory and an explanation of China's foreign policy. Myrdal quite succinctly sums up the basic reasoning behind the theorisation of existing world relations as well as its practical application by China. His knowledge of world history, especially of the Second World War, is used to explain some of the more complex and complicated issues. To quote Myrdal:

> From Soviet Union's side (such as in UNESCO), it is demanded that the mass media in different countries should recognise their responsibility and strengthen peace by avoiding discussion of the Soviet Union's enormous arms expansion. On Nov 5, 1938, Adolf Hitler gave a speech at Weimar.... Adolf Hitler wanted to continue to work for the peace and security of Europe. There was only one condition however: The warmonger had to be disarmed. Brezhnev could not have said it better... It's as if it had appeared in yesterday's *Pravda*, (pp 106-7)... The SU and the US are superpowers. We can discuss their relative balance of power, we can discuss their different political and military judgments, but there is no doubt that they are in direct rivalry and regard each other as the main enemy. They themselves say, and their henchmen with them, that each is fighting to deter the other from world domination. This is a less offensive way of saying that they find themselves in a contention for world hegemony... That the Third World's liberation is one of the great events of our time should be clear to all. There is not just a difference on the map between 1937-77; there is also a difference in quality of the political forces. Naturally this is a long and sometimes contradiction-filled process, but the balance of the world is being re-established after 500 years. The Third World is poor, having been suppressed and exploited, 'underdeveloped' it is called (p 114).

The Chinese foreign policy is aimed at avoiding the war through a world front essentially. It is not true, as Soviet Union and their allies contend, that Chinese are warmongers and the Chinese elsewhere a fifth column. This argument is a rehashed version of Nazi propaganda against the Jews. The argu-

ments of Myrdal in this section are not invalidated. They are very interesting. One may or may not agree with the Third World Theory and its divergent interpretations, yet its importance is undeniable. Myrdal's forthcoming book "Silk Road", with information about the preparedness of the local population in Sinkiang and their perceptions of the Soviet Union and the world would be of interest to all of us.

The book is a good introduction to Chinese Society and should be read in conjunction with his two earlier books. No doubt it's sympathetic to China, but it is critically appreciative. It has plenty of information for even those critical. However, perceptions of the Soviet threat from the border regions would have been useful. And lastly, the chapter on the 25th anniversary of the Swedish-Chinese friendship federation could have been replaced by an addition to any of the three sections. But the book is immensely readable; the style simple and pedagogic, and its substance very useful.

—G N

Through a Glass, Nostalgically

Sankar N Maitra

A Shaft of Sunlight by Philip Mason; Vikas, New Delhi; Rs 95.

WHEN the Second World War ended and the British Indian Empire was about to fold up, many ICS officers were, naturally, thinking of an alternative career. Among them was Philip Mason, at that time an old hand at the Military Department, and a familiar figure in the corridors of power at Delhi and for a time at the headquarters of Southeast Asia Command (SEAC) at Kandy. He accompanied Churchill to Washington, was something like a chef de cabinet to Lord Mountbatten and was in the confidence of Lord Wavell, to whom along with despatches, he sent amusing limericks. Field Marshal Auchinlack thought him fit to be Defence Secretary; and although judged finally by his peers to be too young for the post, he functioned as the Defence Department's spokesman at the Legislative Assembly. Such a success story should have normally ended up with further employment, perhaps in the British Foreign and Commonwealth Service or in Parliament with a knighthood or peerage thrown in. But nothing like that happened. Philip Woodruff Mason retired quietly to grow apples and rear chicken in Dorset and write books.

Mason came to India with a noble idea in mind; India becoming a Dominion like Canada or Australia, freedom broadening from precedent to precedent. He also thought, quite seriously, that he would like to retire from the ICS before becoming governor — as his mother fondly hoped he would. But for ten years or so he was too busy running along the track to watch for the end of the tunnel. He was lucky in many ways. First, he was posted to the United Provinces and not to Punjab where, without knowing much about it, nine out of ten British entrants to the ICS preferred to go, and thus avoided the all too common fault of acquiring a pro-Muslim bias and looking down upon the rest of Indians. He was also lucky in serving his apprentice years under an outstanding, if non-conformist, district officer. And thirdly, his first (and last) district was Garhwal, high up in the Himalayas, where time stood still and the deputy commissioner was indeed Ma-Bap.

Mason not only liked trekking in the mountain country and the simple and brave people, but he also got into the swing of doing big things in a small way which was typical of the old British Indian system. He thoroughly enjoyed his work as Settlement Officer, mapping and revising land records with a sketchy staff and very simple tools. He writes: "Years later in Kikuyu country in Kenya I expressed my surprise to an officer of the Colonial Service that they should attempt to run the country without detailed maps. He told me crushingly that I had no idea of the cost. You had to have aeroplanes, special cameras, elaborate equipment; the cost was fantastic. This in a country which in Garhwal we should have called 'just like a parade ground'. Perhaps they did not need maps as much as we did; that would be an answer we could have respected. But aeroplanes and cameras! Our maps were made with a plane table, a compass, and instruments a child could use for elementary geometry.

All this is true, but upholding the clodhopping Collector as the beau ideal of all ICS men is not quite true. It can be easily proved by example and statistics that those who spent too long districts missed the bus. The collec rate may have been the bread and b ter job, but those who liked cakes a ale left it as soon as possible never looked back except when writ memoirs. If, instead of working Garhwal, Mason had been in Cawnp the centre of British business in United Provinces, he would h quickly found out who called the t — the local officials or the derided much better off boxwallahas. The bu ness people lived in better style; th clubs in big cities like the Bengal C in Calcutta or the Royal Yacht C in Bombay were incomparably gran than the modest establishments whe officials foregathered. It was not l style alone. Although less apparent, a group British business had pow When after the mutiny the Crown to over direct government, the busine part of the East India Company was a quired by a small number of monopo companies on the tacit understandi that their interest would never be har ed. Through connection with the City London, the Clive Street burra sahib were a power to reckon with. So a that the *garib parwar* (protector of th poor) ICS officer could hope to do wa to try his one-man experiment in remot rural areas where there was no chanc of treading on the toes of British busi ness.

Another legend that needs more tha a good hard look is that of th 'glorious exit'. Nothing became th British as much as their departure Such a view (held by Mason too) i too good to be wholly true. A wide view helps to put the perspective right Before fall there is decline. For th British empire in this century most o the turning points are downward; Gal lipoli, Kut, Washington Naval Treat and finally Singapore and Rangoon Till 1939 the world atlas continued t mark a quarter of the globe pink show ing the British empire. But two very much greater powers had grown up in the west the US, in the eas Soviet Union. And in Japan had arise a first class Asian power. The declin and fall of the British Empire was thu inevitable.

Mason's book is not history but th life story of one man. It is largely a Indian tale; starting with preparation for his Indian career and ending (with a small epilogue) with its finish. It is fine tale, well told, a pleasure to read especially to those who had first hand experience of India's recent but irrevo cable past.

Are Our Industries Energy Efficient?

Jyoti K Parikh

Arun K Chaitanya

The industry sector is the single largest consumer of commercial energy. Therefore to understand why energy requirements per unit value added are higher in India than in the other countries or even in India earlier, it is important to look at the product-mix and industrial uses to which energy is put and the technologies employed in production.

This paper attempts such a study. It examines the reasons for the apparent high energy input in Indian industry's value-added. It also examines the pricing policy in energy followed in this country and recommends alternatives with a view to greater efficiency in energy employment.

ENERGY requirements per unit value-added are higher in India compared to in other countries; they are also higher as compared to the past in India. In order to understand this phenomenon, a detailed analysis is necessary of the energy consumption in industries.

The industry sector is the largest consumer of commercial energy in India. In 1976, for example, the industry sector consumed 65 per cent of electricity, 60 per cent of coal and 65 per cent of fuel oil. In order to get an insight into the energy planning for the industrial sector the following issues are examined:

(i) What are the characteristics of the industrial mix in India and how are these changing?
(ii) Which are the large energy consuming industries? What are their energy requirements and what are their growth rates?
(iii) What are the energy intensities* for the various industries in India and how do they compare with other countries? Why is it that the industry sector appears to consume more energy per value-added now compared to a decade or two before?
(iv) How do our industries fare in terms of energy efficiency?
(v) How have energy prices changed and what should be the energy pricing policy for industries?
(vi) What policies should be followed towards the energy and industry sectors?

Some of these questions are sought to be answered in this article.

I

Industrial Mix in India

Industries in India are classified into registered and unregistered. Within the registered sector, the following industries are large energy consuming industries (LEC industries): textiles; fertilisers; inorganic heavy chemicals; pulp and paper; non-ferrous basic metals; iron and steel; and cement.

Although pulp and paper and, to some extent, textiles are not by themselves highly energy intensive industres, the energy consumed by them is high due to the high volume of production. In 1971, these large energy consuming industries consumed 65 per cent of the energy used in the industry sector and produced 35 per cent of the value added by the industries sector. Therefore, the LEC industries need to be examined in detail.

Table 1 shows the percentage share, in the value added, of the LEC industries, non-LEC in the registered sector, and the unregistered sector. It can be seen that over the last 25 years, the share of unregistered sector has declined from 45 per cent in 1951 to 38 per cent in 1976. The percentage share of LEC has remained roughly constant, whereas the percentage share of non-LEC in the registered sector has increased (this could be partly because some of the LEC industries are in the public sector and their prices are controlled).

To have a better idea of which industries are included in the registered and unregistered sectors and what is the value added by them, data on value added is presented in Table 2 for 1971 and 1976 as well as the corresponding growth rates over these six years at constant prices. It can be seen that, during 1971 to 1976, the registered as well as the unregistered sectors have the *same* overall growth rates. In 1971, the unregistered sector had a lower share of the total industries sector than the registered sector, and the percentage share of the unregistered sector has declined further in 1976 because it has the same growth rate as the registered sector. In other words, for the unregistered sector to have the same share in 1976 as in 1971 in total, it would have had to grow at a *faster* rate compared to the registered sector. It can also be seen in Table 2 that individual industries, which are energy intensive, have grown at faster rates than industries which are not energy intensive.

II

Large Energy Consuming Industries

As indicated in the preceding section, LEC industries require closer attention.

Table 3 gives relevant data for our analysis. It can be seen that the highest

TABLE 1 : CHARACTERISTICS OF INDUSTRIAL MIX IN INDIA, SHOWING SHARE OF INDUSTRIES IN TOTAL VALUE ADDED BY INDUSTRIES

(*in percentages*)

Year	Registered		Unregistered	Rates of LEC to Registered Sector
	LEC	Non-LEC		
1951-52	34.98	19.91	45.11	63.73
1961-62	32.97	25.33	41.70	56.55
1971-72	33.78	28.27	37.95	54.45
1975-76	34.73	26.89	38.38	56.36

Notes : Total of registered and unregistered industries may not be exactly 100 due to rounded figures.
LEC=Large Energy Consuming industries.
Source : National Accounts Statistics, CSO, 1979.

* Energy intensities are defined as energy required per value-added. Energy efficiency is defined as energy required per physical output (tonnes, metres etc).

TABLE 2 : GROWTH RATES OF VALUE ADDED BY DIFFERENT INDUSTRIES IN THE REGISTERED AND UNREGISTERED SECTORS

(in Rs Lakhs

Industry Group	Registered Sector			Unregistered Sector		
	1970-71	1976-77	Growth Rate (Per Cent)	1970-71	1976-77	Growth Rate (Per Cent)
Food products	26815	29084	1.36	18411	19474	0.94
Beverages, tobacco and tobacco products	9911	14193	6.17	10409	14013	5.08
Textiles	59730	76559	4.22	44611	61621	7.10
cotton textiles	40139	47591	2.88			
wool silk and synthetics	9378	12635	5.09			
jute hemp and mesta tex	8780	12294	5.77			
textile products	1433	3808	17.69			
Wood and wood products	3094	2601	(—2.95)	22043	33257	7.10
Paper and paper products	14959	16124	1.26	5106	5227	0.39
Leather and leather and fur products	2260	2010	(—1.97)	6907	7481	1.34
Rubber, plastic, petroleum and coal products	12890	13346	0.58	1820	2966	8.48
Chemical and chemical products	36707	52394	6.11	5837	8753	6.99
Non-metallic mineral products	11399	12992	2.20	9342	15097	8.33
Basic metal and alloys industry	28451	42429	6.89	462	733	7.98
Metal products and parts	9454	11292	3.01	11772	14152	3.12
Machinery, machine tools, etc	19386	32860	9.19	6375	8679	3.28
Electric m/c	18213	29380	8.30	3627	4443	3.44
Transport	24396	28832	2.82	5346	7025	4.68
Miscellaneous manufacturing industries	18652	14293	(—4.54)	13258	16530	3.75
Repair services	6397	9769	7.31	10603	13346	3.91
Net value added including imputed bank charges	296317	392198	4.78	—	—	—
Less imputed	1055	1797	9.28	—	—	—
Net value added	295262	390401	4.77	175929	232797	4.78

Source : National Accounts Statistics, CSO, 1979

energy consumption is by iron and steel, followed by textiles and fertilisers (excluding feedstock). Textiles consume the highest amount of electricity and oil, whereas iron and steel are the largest consumers of coal.

Energy intensities of these industries have different order of ranking because of the differences in the volume of production and in value added by each of the sectors. Here, fertilisers, non-ferrous metals, and chemicals precede textiles. Overall energy intensities for all the LEC industries is 4.2. This seems rather high by international comparisons, where ratios reported in the available literature are between 1 and 2. (It is to be noted that in India, the intensities are given in million metric tonnes of coal replacement, i e, mtcr units) whereby fuels such as electricity and oil get multiplied by higher efficiency factors that are not treated merely in calorie equivalent terms. Moreover, one metric tonne of coal in India is standardised to have 5000 kilo calories per kg as compared to UN convention of 7000 k cal/kg.)

The consumption norms — i e, the energy consumed in mtcr per metric tonne of product — are the highest for non-ferrous basic metals. Here, aluminium production is included which consumes approximately 16,000 (kwh)/kilo watt hour or units per tonne. Textiles come next if one measures textiles by weight. However, if measured in metres, the norm is 1.856 per thousand metres.

In order to examine the sensitivity to price of energy, the percentage of the value of energy consumed to the value added is a relevant parameter. In textiles, this percentage is only 16 per cent, whereas in pulp and paper and non-ferrous basic metals, it is 45 per cent. In fertilisers, inorganic heavy chemicals, basic metals, and iron and steel this works out to more than 50 per cent. However, the value of energy consumed per gross value of output varies from 45 per cent in textiles to 15 per cent in inorganic heavy chemicals.

III

Why Energy Intensities Have Increased

It has been observed recently, in published and unpublished reports. that:

(i) In India, energy intensities (ratio of energy consumption to value-added in industry) are large compared to other developed and developing countries.

(ii) Further, within India, energy intensities have increased from 1.119 in 1960 to 1.321 in 1970, measured in tonne per Rs 1,000 of value-added.

This is rather surprising considering the labour-intensive technologies that are often used. Moreover, 38 per cent of the value added is in the unregistered sector. Let us examine both aspects concerning energy intensities.

As for the energy intensity in Ind being high, the following points a relevant:

(i) It is well known that in dev loping countries, the major co ponent in the value of the outp is raw materials. The cost labour assumes secondary i portance. Thus, the wages developing countries are su that the energy requirements p unit *value-added* would be high in the developing countries th in the developed countries. O the other hand, the reason wh India has higher energy inte sities compared to the oth developing countries is th India is one of the very fe developing countries which h a production base for hea industries such as iron and ste fertilisers, chemicals, metal i dustries, etc.

(ii) Moreover, the exchange rate f a dollar does not reflect the tr purchasing power in India. T World Bank Study (Kravis *et* 1977) indicates that the pu chasing power of a rupee is 3 times greater than indicated the official exchange rate.

(iii) Often, the existing technolo is obsolete and also does n have economies of scale.

(iv) In the initial stage of develo ment, many new projects m

TABLE 3 : CONSUMPTION OF ENERGY BY LARGE ENERGY CONSUMING INDUSTRIES AND NORMS OF CONSUMTPION, 1971

ndustry	Coal and Coke (mtcr)	Fuel Oils (mtcr)	Electricity (bkwh)	Total Energy (mtcr)***	Value Added (Rs million)	Energy Intensities (tonne) Value Added	Consumption* Norms (Per Tonne of Product)
Textiles	2.17	0.92	5.04	8.16	5588	1.46	3.53
Fertilisers**	0.74	0.14	2.73	3.66	475	7.71	1.07
norganic heavy chemicals	0.27	0.40	1.26	1.95	384	5.09	1.42
Pulp and paper	1.47	0.24	0.89	2.60	1989	1.32	2.54
Non-ferrous basic metals	0.28	0.24	2.98	3.51	457	7.67	6.89
ron and steel	15.33	0.40	2.68	18.66	1185	15.74	1.91

Notes : mtcr = million tonnes coal replacement, 1 mt of fuel oil = 2 mtcr; bkwh = billion kilo watt hours; 1 kg of coal = 5000 K Cal.
* Refers to 1970.
** Excludes feed stock.
*** Includes Diesel oil consumption also.
These data have been compiled from the available published data in Annual Survey of Industries, CSO. It is not available in detail for the recent years.It is, therefore, attempted to obtain them from other sources and reported in the Annexure. Even so, the table is adequate for ranking the industries and their fuel mix and magnitudes.

TABLE 4 : SHARE OF INDIVIDUAL LARGE ENERGY CONSUMING INDUSTRIES IN TOTAL VALUE ADDED BY THEM

(*Percentages*)

	1950-51	1960-61	1965-66	1970-71	1974-75	1975-76
Textiles	64.75	51.83	43.67	37.17	39.85	38.12
Paper and paper products and allied industries	6.90	8.38	9.45	9.31	7.80	7.81
Chemicals and chemical products including fertilisers	10.19	13.75	15.87	22.84	24.91	23.42
Non-metallic mineral products	4.74	7.22	7.99	7.09	5.60	5.91
Basic metal industries and metal products	13.45	18.85	23.05	23.58	21.15	24.75

Note : The LEC industries have been increasing their share in the total value added. The total of figures may not add to 100 due to rounding off.

Source : National Accounts Statistics, CSO, 1979 and previous volumes.

not have yet come on the stream of production.

As for the second point concerning increased energy intensities *within* India over the last 15 years having increased, it is seen in Table 4 that even within the large energy consuming industries sector, growth rates of industries which consume more energy per unit value-added (such as iron and steel) are higher than the growth rates of industries which consume lesser energy (such as paper and pulp, textiles, etc). Thus, although large energy consuming industries have been contributing roughly 33 per cent of value-added for the last 25 years, the *composition* of the LEC has been changing. Moreover, as already shown in Table , the share of the non-LEC, which are more energy-intensive than the unregistered sector, is also increasing.

It may be mentioned here that, even in the context of overall economy, energy to GNP ratios for various countries are used as parameters in projecting future energy demand in various global energy models such as of the Workshop on Alternative Energy Systems (WAES, 1977) and World Energy Conference (WEC, 1977). The above arguments show that care has to be taken in using energy intensities for international comparisons or inter-temporal comparisons. Particularly because this happens to be a widely used way for projecting energy demand in distant future, as projections of physical levels of production are highly uncertain and macro-economic growth assumptions have to be made.

In order to make international and inter-temporal comparisons of technological progress, norms of energy consumption — i e, energy consumed per unit physical output — are most relevant. This can be treated as an indicator of the energy efficiency of a given technology.

IV

Indicators for Efficiency in Industrial Technology

We examine whether the energy consumed per unit production (norms) in the LEC industries are comparable to those in the other countries and whether they have been declining over time within India. The norms of energy consumption for producing a given product depend on three factors:

(i) Production technology and plant capacity;
(ii) Capacity utilisation;
(iii) Quality of products and product mix.

Table 5 shows a comparison of energy consumed per unit production for various countries. Even though international comparisons are always beset with definitional problems etc, the message is obvious. Moreover, the Table is indicative of the state of technologies in various countries and may provide an input to the decisions involved in international collaborations. It can be seen that India consumes more energy per unit production of crude steel, aluminium and cement compared to most developed countries. The latter may have already experimented a great deal and may possess newer technologies which are energy efficient. Those countries which are high importers of energy such as Denmark, West Germany, etc, are cautious in their energy use and have more energy efficient technologies.

The fact that the advantages of economies of scale are also less in India compared to other developed countries may also explain part of the difference.

It can be observed from Table 5 that the energy consumption in the pulp and paper industry in India is 1130×10^4

TABLE 5 : INTERNATIONAL COMPARISON OF ENERGY EFFICIENCY IN INDUSTRIES

(10^4 k cal per tonne of product

Crude Steel		Paper and Pulp		Cement		Aluminium	
Ireland	140			Austria	90	United States	949
	167 (x)						
Spain	180 (e)	Spain	220	Germany	91	Netherlands	1290
Norway	189 (e)	Italy	340	Canada	95(d)148(w)	Austria	1346
Denmark	236	Austria	344	Italy	96	Japan	1385
Germany	326	Denmark	353	Turkey	98(d)139(w)	Taiwan	1464
Italy	334	Germany	438	Taiwan	115	Germany	1481
Sweden	398	Taiwan	476	Norway	115		1503
Austria	450 (i)	Sweden	489	Japan	121	Norway	1591 (e)
Netherlands	470	Japan	512	Spain	130		
United Kingdom	478	Switzerland	557	Netherlands	131	Sweden	1648
Taiwan	485	United States	579	United Kingdom	138	United Kingdom	2107
Turkey	500	United Kingdom	627	Sweden	140	New Zealand	2165
Japan	513	Norway	659	Ireland	153	India	2295
United States	533	Canada	673	United States	161	Spain	2800
Canada	555	New Zealand	692	Denmark	164 (w)		
Laxenburg	701			India	170 (w)		
New Zealand	738	India	1130	New Zealand	175		
India	1161 (i)						

Notes : (e) Electricity only
(i) Pig iron
(x) Scrap iron
(w) Wet process
(d) Dry process

Source : For International data : Energy Management in Selected—Asian Countries Asian Productivity Organisation, Tokyo.

TABLE 6: CHANGES IN ENERGY EFFICIENCIES DUE TO VINTAGE OF PLANT AND CAPACITY UTILISATION

Name of Plant	Year of the Commissioning of Plant	Coal Consumed Per Ton of Product*	Capacity Utilisation
Crude Steel			
IISCO	1953-54	1.64	—
Bhilai steel plant	1959-60	1.42	—
Bokaro steel plant	1972-73	1.19	—
Cement			
Lokhari (wet process)	1917	460	76
Vijayawada (wet process)	1940	283	90
Sankovidmy (wet process)	1963	220	82
Alangulam (wet process)	1970	300	50
Kistna (dry process)	1939	327	66
Wadi (dry process)	1968	219	96
Udaipur (dry process)	1970	208	111

Note : *Data on the quality of coal is not available.

K Cal/tonne. Some of the pulp is produced outside the paper mill, and is dried before transporting it to the paper mills, and the energy consumption for pulp production is 851 x 10^4 K Cal/tonne of pulp.

In the case of crude steel also energy consumption per tonne of crude steel works out to be high in India. This may be because India has integrated plants which include coal washeries, iron ore processing etc. It is possible that, in the other countries, these operations are done outside of the steel plants. Since data on energy consumption at different points of steel production process are not available, it is difficult to say exactly how much of energy is utilised in production of crude steel alone.

In the case of aluminium industry also, India's position is not very good, as it requires 2295 x 10^4 K Cal/tonne of production. However, one observes fluctuations from year to year due to changes in capacity utilisation in the aluminium industry.

The consumption of energy in the cement industry is quite comparable to that in the developed countries.

How does energy-efficiency change over time within India? Table 6 shows the changes in norms which have taken place within India. The norms vary with the vintage of the plants, measured by the date of commissioning of the plants.

In most of the cases, the norms of energy consumption are lower for new plants, perhaps due to better technology of production.

However, in the case of textiles and pulp and paper products, much depends on the *quality* of the product-mix which changes with time. Here, the share of more refined varieties, which consume more energy, has increased. For example, as shown in Table 2, between 1970-71 and 1976-77, silk and synthetics have a growth rate of 5 per cent as against growth of 2 per cent for cotton.

The conclusion, therefore, is that energy efficiencies in the LEC industries in India are lower by international comparisons, but are improving over time. Moreover, as Table 5 shows, considerable scope exists for introducing energy-conserving technology in India as against growth of 2 per cent for already exists elsewhere in the world.

V

Energy Prices and Industries

Pricing of energy is an important policy measure, which can have a direct impact on the energy required by the industries. This can happen in three ways:

(i) There are some industries, which can introduce conservation measures merely by appropriate process management, full capacity utilisation, etc, such that without

TABLE 7 : PRICE INDICES IN THE ENERGY SECTOR

(1970-71=100)

ear	All Commodities (WPI) (1000.00)	Coal (11.47)	Electricity (24.00)	Petroleum (6.02)
61-62	55.2	59.6	66.6	71.8
62-63	55.4	62.5	72.6	73.3
63-64	59.7	66.8	76.6	80.9
64-65	67.4	69.3	79.7	81.2
65-66	72.8	72.5	83.2	83.5
66-67	84.4	76.5	9.14	88.6
67-68	88.3	88.1	92.2	91.7
68-69	91.3	100.2	95.4	93.8
69-70	94.7	98.9	95.8	97.1
70-71	100.0	100.0	100.0	100.0
71-72	105.6	103.2	102.5	130.2
72-73	116.2	112.5	105.7	142.0
73-74	139.7	122.9	111.3	317.1
74-75	174.9	146.6	137.2	686.5
75-76	172.9	185.0	158.1	700.3
76-77	176.6	197.6	171.6	740.3
77-78	185.6	197.6	181.4	785.2
rowth Rates 60-62/1970-71	6.8	5.9	4.6	3.7
rowth Rates 70-71/1977-78	9.2	10.2	8.9	34.2

any additional hardware, energy consumption per unit output could be brought down.

ii) The industries could switch over to less expensive energy forms (fuels substitution) such that energy costs are minimised. The present pricing structure, where coal, electricity, and fuel oil were priced approximately at Rs 90, 250 and 450 per mtcr, respectively, in 1977 (i e, even after discounting for fuel efficiency) should, in principle, encourage substitution of oil if coal and electricity supply could be reliably provided.

iii) Over the longer period, the industrial-mix may change towards less energy consuming activities.

this context, it is important to nphasise that — except in the case oil and that too only recently — ie prices of energy (i e, coal and elecicity) have risen less than the wholele price index compared to 1961-62. his can be seen in Table 7.

Moreover, bulk purchases of electrity and coal are at concessional rates. herefore, the prices to industries are uch lower than is indicated in Table At constant prices, industries are ot paying much more than in the past. Thus, the present price structure oes not give any incentive to conserve ergy. If at all, conservation (and also sses) are brought about by making pply erratic, which is not a policy at helps anyone. Hence the following oints become relevant for pricing olicy:

(a) For either coal or electricity, no remium is charged for the fact that ie energy resources are non-renewable and only the costs are recovered at 10 per cent rate of return on the investment, as though energy is an agricultural product which could be harvested year after year. In the case of petroleum, however, there was a marked jump in 1973 due to global rise in the price of petroleum products. In India, in general, petroleum prices are pooled prices, where the domestically produced crude is pooled with imported crude oil. The cost of domestic crude is approximately one-third the cost of imported crude. Thus, pooling helps to reduce the average price to the customer, in particular of diesel, and to stabilise prices to some extent for a short term.

(b) Long-run marginal costs, as calculated from the data of the new projects of coal mined and electricity generated are higher by 30 to 100 per cent of the currently charged prices of coal and electricity. As and when the share of production from old coal mines, oil wells or power plants in the energy sector declines, the long-run marginal costs would prevail and it is wise to be prepared for that. As and when the share of domestically produced crude declines in the total demand of oil products, the petroleum price index would have to also rise compared to the wholesale price index than in the recent past.

(c) It is argued that higher energy prices would affect industrial growth adversely and that some industries might make losses if energy prices were to be increased. Many of the State Electricity Boards (SEBs) and coal mines are already making losses and those losses could increase in future if rise in the energy prices as well as better management are not forthcoming. An objective of energy planning should be to provide *reliable* energy supply. In case of inadequate pricing, decisions for conservation measures and appropriate choices in industrial-mix do not get taken. Industries should therefore be made aware of the expected long-run marginal costs of energy, so that they could formulate the appropriate strategy by choosing the industrial technologies or the industrial product-mix. In other words, decisions made by industries should take into account the real price of energy for a proper demand management. It is true that the industries set up a decade ago did not take into account these facts, but at least for the future licensing procedures long-term price information should be made available to them well in advance so that appropriate investment decisions are taken.

Thus, in the area of energy pricing, very little has been tried, especially as far as coal and electricity are concerned and, therefore, no effects of price elasticities can be observed in the past data. However, fuel oil has been substituted by coal in the recent past, although not in as big a way as possible, partly because of the impediments in coal movement and changes required to burn coal in equipment designed to utilise fuel oil.

VI

Policy Recommendations

From the above analysis, the following policy recommendations emerge:

(i) As shown earlier, large energy consuming sectors do not necessarily produce high value-added. It is true that their contributions, to the economy, to the infrastructure, and to basic needs, are significant and also that in per capita terms, the production of these sectors today can hardly be considered satisfactory. Nevertheless, the choice of suitable industrial technologies in LEC sectors, and greater emphasis on developing non-LEC industries, are necessary.

(ii) Regarding decisions about new units in LEC industries, *location aspects* need to be analysed to minimise transport of energy, raw materials and finshed products. In fact, the most industrialised area in this country — *viz* the western region — is energy deficient in particular in coal and hydro resources, whereas industrialisa-

TABLE A: CHANGES IN NORMS OF FUEL OIL AND ELECTRICITY CONSUMPTION IN LEC INDUSTRIES

	Changes in Fuel Oil to Commodity Output Ratio[1]		Changes in Index of Output and Electricity (1976)	
	1972	1976	Output Index in 1976	Electricity Consumption in 1976
	(ton per 10^3 ton product)		(1960=100)	(1960=100)
Iron and steel	87	76	310	406.3
Cement	10	2	235	221
Fertilisers	177	219	1587	896.5
Aluminium (P)	687	671	1140.4	935.8
Sugar	19	11	156.2	445.1
Textiles†	97	94	133.3**	245.4*
Chemicals(†)	113	101	378.8	1084.2
Engineering(†)	67	62	—	—
Ceramics and glass(†)	101	81	—	—

Notes : 1 Ashok V Desai, Working Paper No 91, 'The Impact of the Rise in Oil Prices on India', Centre for Development Studies, Ulloor, Trivandrum, p 21.
* All textiles.
** Cotton yarn; the corresponding figure for cotton cloth is 124.6.
† Output unit in index is (1970=100) and not tonne in case of fuel oil for these commodities.

tion in the east and north-east regions which have large coal and hydro resources need to be strengthened, with greater developmental efforts.

(iii) As far as energy pricing is concerned, information should be made available concerning long-run marginal costs of energy to the investment decision-makers, in private and public sectors, so that the appropriate industrial-mix is encouraged. However, increase in price must be accompanied by reliability of energy supply (coal or electricity) which is vital for industrial growth. It appears that energy costs of erratic energy supply are not small. For example, lack of power or coal would result in increased use of diesel oil and fuel oil, respectively, and in addition to tying up large investments in the industry and energy sectors.

(iv) Even for existing and future industries, energy use can be reduced by proper capacity utilisation, acquisition or development of energy-efficient industrial technologies, reduction of the share of energy-intensive product-mix (e g, synthetics in textiles, or, highly refined paper products).

(v) In order to increase energy efficiency, additional investment may be required. It may be worth giving industries incentives for introducing these changes by way of tax deduction, subsidy, etc.

One may remark, while concluding, that even though comparison of energy-intensities or energy-efficiencies with other developed countries yields a dismal picture, it could be partly attributed to definitional problems and partly to inexperience, low economy of scale and underutilisation of capacity due to a variety of reasons. In comparison with the past, however, energy-efficiencies *are* on the increase and there are future possibilities for improvements with proper policies.

Annexure

CHANGES IN NORMS OF FUEL O
ELECTRICITY IN 1976 COMPAR
PAST

A comparison of 1976 data
oil and electricity consumption
LEC industries is given in Tabl
can be seen that, in 1976, the no
fuel oil have reduced than in
except in fertilisers. The ele
consumption index in 1976 co
with the output index has redu
the case of cement, aluminiu
fertilisers, and increased in case
tiles and chemicals due to cha
quality of product (not conside
cutput index) and increased in c
iron and sugar due to change of
nology. (It appears that in the c
sugar, electricity may be replacing
commercial energy.)

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[The views expressed in this
are not necessarily of the organi
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Theory of a Dual Mode of Production in Post-Colonial India

Sharat G Lin

The debate over the mode of production in India has suffered from a tendency to focus individually on agriculture, industry, or imperialism — ignoring either the total context or local specificities. Mechanistic transplantation of concepts from elsewhere and black-and-white answers to such matters as the emergence of capitalism and post-colonial dependency have only served to confuse the picture.

Tracing the historical antecedents of the present mode of production, this paper finds that an extremely heterogeneous pre-capitalist mode and later a colonial mode of production served to both lay the material basis for, and retard the development of, Indian capitalism. What has emerged from this distorted development is an interpenetration and integration of pre-capitalist and capitalist relations, generating not so much two independent modes as effectively a single mode with dual character (not to be confused with 'dualism'). Having at once both accommodating and conflicting internal dynamics, the dual mode has features of both stability and transition which can be analysed in terms of mixed relations and the patterns of dominance.

In the current international context, India may be characterised as 'relatively politically independent, relatively economically dependent' and qualitatively differentiated, on the one hand, from the semi-colonial and neo-colonial models, and, on the other hand, from revolutionary states which have removed themselves from the world capitalist periphery.

The paper is being published in two instalments. The first, published last week, briefly surveyed the historical antecedents of the present mode of production and reviewed the debate over the mode of production in Indian agriculture that has taken place till now.

In this, the second instalment, the author considers in detail the dynamics and relations of the process of transition in the dual mode of production and the implications of this dual mode hypothesis for India in its present context of post-colonial dependency.

V

Transitional Dynamics

Thus far we have only considered the e notion of a dual mode of production as a result of the interaction between its two primary modes or poles. is remains merely a description of ndition, offering no insight into the namics of historical processes. To the tent that a dual mode of production s functionallly differentiated poles — otive and resistive — there must be nsition associated with status and end. It is, therefore, appropriate to nsider the notion of a mixed relation a transitional form i e, a transitional ation of production. Such a formulaon imparts to mixed relations a vectoal description of the gradual transforation from the relations of one mode o those of another. During a transinal period, the determinant elements a social formation may vacillate, sting the comparative viability of the o primary modes of production for tisfying their perceived interests in e context of changing market condons, productive forces, and forms of cial and political organisation. Social ange never being instantaneous, ixed relations arise and come to edominate during this time, and shift the process of overall transformation.

The concepts of mixed and transitional relations, then, are not mutually exclusive, but rather may be considered different approaches — static and dynamic — to problems involving the interpenetration and interaction of two divergent primary modes of production.

Transitional Relations

At the point it may be pertinent to pose the question: what factors may influence the rate of transition in transitional relations? In other words, what factors may influence the stability or instability of mixed relations? For some insight into one aspect of this problem we should return to the question of what is the utility of making the distinction between series-mixed and parallel-mixed relations of production.

In series-mixed relations it will be recalled that the contradiction is between different relations. Such a contradiction is not necessarily antagonistic in the short term. In the overall context of a dual mode of production, the two primary modes (pre-capitalist and capitalist) are manifested in various forms of purity, mixture, and transition. Since the variable (relations) are at most indirectly coupled, the transformation of one relation does not immediately necessitate the corresponding transformation of another — giving series-mixed relations a potential short-term stability. Thus, we may think of series-mixed relations being driven forward towards the more advanced primary mode of production not so much to resolve any immediate contradiction as to *optimise* the functioning of an entire system of socio-economic relations.

By contrast, in a parallel-mixed relation of production there exists a contradiction within a single relation. This relation is necessarily unstable because it requires an individual involved in the relation to have inherently divergent interests. For example, a rich farmer may find that the viability of making certain capital investments is dependent on raising the purchasing power of the populace, and that moneylending which helps keep the poor in a state of perpetual indebtedness works at cross purposes to this. The mixture is inherently unstable, and one form must readily displace the other. Here the coupling between variables (aspects within a relation) is necessarily considered direct simply because a relation is tautologically coupled to itself, although there may still be a finite period of transition during which a parallel-mixed relation is manifested.

The significance of this hypothesis is that parallel-mixed relations are theoretically less stable than series-mixed relations, and that if trends are to be observed in the context of a dual mode of production, they may most likely be seen first or most readily in parallel-mixed relations. This proposition appears to be supported by empirical observations in India, although the observations have not been made with this specific notion in mind.

One major form of parallel-mixed relations occurs in the relations of land and labour among the rural semi-proletariat — those who are extremely marginal owner-cultivators such that they must supplement their means of livelihood in large measure by working as tenants or wage labourers on someone else's land. It is the natural tendency of these marginal landholders to resist total alienation from the land (even if it means reducing their consumption to an 'unbelievable minimum') if only because their existing condition continues to provide the only avenue of escape from the proletarian condition. Despite this, a rather strong trend in the direction of increasing landlessness has been observed in many parts of India — both as a result of pressures of capitalist development[70] as well as feudal expropriation.[71] Though this may not be true in each individual case, on the whole such parallel-mixed relations appear to exhibit strong transitional character, i e, either a rare stroke of good fortune lifts a household out of the semi-proletariat, or, more likely, the process of proletarianisation runs its full course. While increasing landlessness may give rise to increasing tenancy, this appears to be the case only in Bihar, Orissa, Uttar Pradesh, and Assam[72] where the semi-feudal mode of production is perhaps more predominant and the methods of cultivation more backward than elsewhere. On the whole, however, tenancy appears to be declining over time.[73] Furtheremore, since over half of rented land is tenanted by large commercial farmers,[74] the actual amount of tenancy by landless or marginal land holders is probably decreasing more rapidly in percentage terms than the overall data would suggest. Since the incidence of bonded labour does not appear to be increasing, this can only mean a significant net shift towards either wage employment or manpower available for wage employment. The available evidence overwhelmingly indicates that wherever in the country a trend can be perceived, it is in the direction of labour power assuming greater commodity character.[75] This includes a frequently-observed trend from tenancy to wage labour which has, in large part, been attributed to the reduced probability of crop failure owing to new irrigation systems and to the increasing attractiveness to dominant landholders of payment in cash rather than sharing in kind during periods of high inflation.[76] Within the realm of tenancy relations themselves, a trend has been noted from sharecropping towards fixed rent.[77] (While trends towards fixed payments and monetisation do not in themselves indicate emergence of capitalist relations, they do suggest along with other indicators trends towards the features most commonly associated with capitalist development.)

It is only in some rather specialised cases that a distinct reverse trend has been observed. For example, a slump in the international tea market during 1965-70 resulted in layoffs of casual labour in the tea plantations of north-eastern India. Finding no alternative opportunities for wage employment, some former labourers, especially in Jalpaiguri, found sufficient resources to buy plots of land adjacent to the tea gardens and to embark on petty cultivation.[78] However, not only does this remain an unrepresentative special case, but a considerable number of traditional peasant cultivators have been displaced in the process.

One example suggesting the relative stability of series-mixed relations is the rising interest landlords of tenanted farms are taking in capital inputs and raising productivity — giving rise to a vast diversity of cost-sharing and crop-sharing arrangements. These observations were made particularly in West Bengal where sharecropping is a major, though declining, mode of cultivation.[79] Conversely, many small peasant cultivators and even tenants, who cannot afford to invest in new capital inputs (especially fixed capital), hire wage labourers — a pattern that has been stable for centuries in many regions of the country. The attempts cited earlier to identify capitalist farmers by looking for correlations among five criteria illustrate a high degree of series-mixture and a lower level of parallel-mixture. This suggests that the function of mediation between the two primary modes of a dual mode of production, and hence short-term stabilisation of the dual mode, may be accomplished by the evolution of moderately stable series-mixed relations. Transitions, then, are to be most readily seen at the level of parallel-mixed relations.

It is clear that virtually all net transitions are in a capitalist direc (Again, this is not to be confused saying that capitalism has develo Relations associated with the esse features of a feudal mode of pro tion, namely appropriation of sur through ground-rent and uncom sated labour through various forms coercion rather than commodity tions, are clearly declining — thoug widely differing rates in different a According to the tenants and labou themselves, undercompensation, fo bonding of labour, and other forms exploitation through extra-econo means appear to be diminishi (This is despite the continuing news cases of illegal landlord usurpation peasants' land, landlord terrorism v the tacit approval of local authorit and atrocities against untouchables agricultural labourers.) Large farms pear to be increasing in size, and more advanced areas like Punjab is directly related to the feasibility tractorisation and other forms of chanisation.[81] It is, of course, known that technical advances wh do not displace labour have penetra into diverse regions of the countrysi namely high-yielding varieties of foo grains, tubewells, fertilisers, and so pesticides (though these last two main inadequately used for the optim cultivation of the high-yielding variet due to inadequate resources of ma farmers). And along with this has be a long-term growth in commodity p duction,[82] especially since the beginni of contact with the British. Thus, unmistakable trend towards the d placement of pre-capitalist relatio with capitalist relations is taking pla — however uneven, indecisive, and times faltering that trend may be. Th is the nature of transition in a du mode of production, where the forc and relations of production general remain at a low level of developme in a peripheral social formation.

Dominance

If a dual mode of production characterised by its two constitue primary modes of production, it entirely reasonable to ask which dominant. One approach to defini dominance of a primary mode is to a ply the criterion of whether it is se reprodcing.[83] Given that extended production is characteristic of capita ism and not of pre-capitalist modes, may be inferred from this definitio that capitalism is 'dominant', an moreover, that capitalism is dominan over pre-capitalist modes in any co text. However, if the vast majority

capitalist social relations are re-ucing themselves at any given , can we say that the pre-capitalist e is also dominant? Does the re of a small percentage of pre-talist relations to reproduce them-s cause the entire pre-capitalist e to not satisfy the criterion for inance? If so, the definition of inance must be modified. If not, both the pre-capitalist and capi-t modes are 'dominant'. We may if it is useful to speak of two pri-modes being 'codominant', that say, if the characteristics of both ary modes are simultaneously ex-sed in a 'dominant' way. However, approach leads us no further than original definition of dominance f. Certainly it provides no useful eptual framework for analysis of dynamics of the relationship, and radiction, between two primary es of production.

e have already hinted that a use-distinction can be made between is and trend, and, consequently, poles of a dual mode may become rentiated into motive and resistive s.[84] Such a distinction must also pplied to the concept of dominance: us-dominance' versus 'trend-domin-'. The term 'status dominance' may pplied to describe the quantitative eriority of a mode according to e predetermined numerical criteria nber of persons involved, preval-e of relations of that mode, value production or value added under mode, etc). This is the static de-ion. The dynamic definition lies in concept of 'trend-dominance'. A e may be said to exhibit 'trend-inance' if it is reproducing in a greater than unity, i e, growing bsolute magnitude, again according some predetermined numerical cri-a. Moreover, it may be said to ex-t 'relative trend-dominance' over ther mode if its reproduction ratio greater than that of another mode, if that other mode also satisfies criterion for ordinary 'trend-do-ance'.

ow the analysis of dominance takes new depth. It is now clear that a d-dominant mode need not be is-dominant. The germination of seeds of capitalism (e g, commo-production and wage labour) in the b of pre-capitalist society can be erstood in terms of the slowly rging trend-dominance of capital-(with its superior motive forces potential for extended reproduc-in the face of the obvious status-inance of the pre-capitalist mode.

The case of relative trend-dominance is illustrated by some tribal regions of India in which simultaneous contact with feudal and capitalist modes (involving both private enterprise and the state apparatus) is displacing a primitive communal mode of production. A moneylender may wish to engage in usury among the tribals, a tribal may be attracted to commodity production and trading or to seek employment as a wage labourer or sharecropper, the State may introduce irrigation to develop agriculture, or education may induce a tribal youth to adopt capitalist methods. In such instances, two modes may simultaneously exhibit local trend-dominance in the process of eroding a third, still less advanced mode. Then we may further speak of the capitalist mode exhibiting relative trend-dominance over the feudal mode. Yet the communal mode remains locally status-dominant until such time as its numerical prevalence is overtaken. In general, however, there are few examples of two simultaneously advancing modes. It is a dialectical law of history that, among modes with different motive forces and different levels of organisation, one will always tend to exhibit trend-dominance over another and, hence, at the expense of the other. Therefore, the motive force for a second trend-dominant mode can only come from outside. If the local social formation is relatively strong and independent, it will be able to keep the external forces under control. On the other hand, if it is weak, it will be forced into a dependency relationship with respect to the external mode. Thus, only one mode, whether internal or external, will tend to exhibit trend-dominance in a single social formation. Considering a tribal area in India as a unitary social formation in itself, the local trend-dominance of the capitalist mode can be achieved not at the expense of the local trend-dominance of the feudal mode but of the communal mode. By contrast, the lack of a communal mode in the larger society of India necessitates that any trend-dominance of the capitalist mode can be achieved only at the expense of the feudal mode.

Forms of Transition

The historical basis of transition from one mode of production to another begins with the germination of a new trend-dominant mode which eventually overtakes the old formerly status-dominant mode. Such a transition can be driven forward by either external or internal forces. In the first case, the new mode can be imposed from above in the sense that peripheral capitalism was imposed by imperialism on numerous pre-capitalist social formations, and a 'socialist' mode (referring to the nature of the economic base — public ownership of the principal means of production, centrally planned economy, and withdrawal from the world capitalist *system*) was largely imposed by the Soviet Union in Eastern Europe. This is a direct result of combined development. Such situations often lead to rather complex social transitions resulting not only in superposition of modes of production, but often in the 'skipping' of modes that would otherwise have been necessary intermediates for integrated development.

In the second case, a new mode can eventually overtake a status-dominant mode through the internal dynamics of a social formation. Within this category a further distinction can be made between an *evolutionary* process whereby the ruling class of the earlier mode evolves into the ruling class of the new mode, and a *revolutionary* process in which a new class germinates under the old ruling class, develops either on the inherent strength of its strategic position as an oppressed class in the old economic order or on the inherent strength of its own evolving productive forces and relations, and finally overthrows the old ruling class and system.

An evolutionary process can occur (and has occurred) in transition from pre-feudal modes to feudalism and capitalism, and from feudalism to capitalism. However, it can neither drive a transition from class-stratified modes (e g, feudalism and capitalism) to socialism, nor induce the 'skipping' of modes required for integrated development. A key feature of evolutionary transition is that the ruling class in the previous mode does not, in general, stand to lose power or property rights in transition to the new mode of production. This is a necessary, though not sufficient, condition for evolutionary transition. A sufficient condition for the erosion of feudalism in favour of capitalism, for example, is the existence of the material conditions favouring commodity production, wage labour, capital investment, and rationalisation of productive processes. The emergence of the Prussian Junker 'landlord capitalists' as well as the gradual adoption of capitalist methods of farming by some former feudal landowners in India are examples of one type of evolutionary transition. The investment in

Coimbatore textile mills by feudal landlords in Tamil Nadu is an example of another type of evolutionary transition through a stage of portfolio diversification (a parallel-mixed relation of forms of capital). Evolutionary transition, therefore, constitutes one element of the trend-dominance of capitalism within the context of a status dominant pre-capitalist mode in India.

An underlying dynamic, which is nowhere else as evident as in the transition from pre-capitalist to capitalist modes, lies in the potentially immeasurably greater forces of production and reproduction of capitalism than of pre-capitalist modes. Whenever this potential can be realised and capitalist growth is self-reinforcing because of the nature of accumulation and extended reproduction under capitalism, this transition is driven inexorably forward, often with great rapidity. This was the case in the most advanced metropolitan countries, but could never be the case in the peripheral countries where peripheral capitalism cannot freely realise this potential. In fact, the trend-dominance of peripheral capitalism over pre-capitalist modes is not only at times blocked, but under certain circumstances may even temporarily regress. Consider, for example, the case of numerous rich farmers in Punjab who were attracted to investing in high-yielding varieties of foodgrains and concomitant capital inputs during the early years of the 'green revolution'. They did so with the view that the resultant increase in productivity and production would lead to a real increase in surplus accumulation, which proved to be more or less the case until 1974. The various capital inputs (especially chemical fertilisers, pesticides, and other operating capital), being largely imported, placed these nascent capitalist farmers at the mercy of fluctuations in the world market economy. When the world price of oil jumped and the metropolitan producers dramatically raised the price of various petrochemicals, fertilisers, and machinery, the costs of production suddenly skyrocketed for these farmers. Now finding it significantly less profitable to maximise production by investing in productive capital than to invest in moneylending (even at modest rates of interest), many of these rich farmers idled some of their tractors and stepped back towards a pre-capitalist mode of accumulation and the lower labour productivity of fragmented tenant cultivation.[85]

The same dilemma confronts the industrial bourgeoisie in India, constrained, on the one hand, by the superior efficiency and resources of metropolitan capital, and, on the other hand, by the stagnant forces of production and purchasing power of the pre-capitalist mode. This has resulted in a general failure to stimulate fixed capital formation and its optimal utilisation without the need for public subsidies. The situation may be described as one in which the Indian industrial bourgeoisie has opted for maximisation of surplus rather than maximisation of production by neglecting the development of productivity and keeping the prices of industrial goods high — which again limits any direct benefits of industrialisation to a relatively privileged 15-20 per cent of the total population.

The question arises whether stagnation and periods of apparent regression in the development of capitalist relations are specific to peripheral social formations, or are generalised short-term responses to changing material conditions in a fluctuating market economy. Certainly even the most advanced capitalist economies have their periodic and continuing crises with inflation, unemployment, recession, and shifting of private financial resources from productive investment to nonproductive speculation in real estate, etc. These may constitute setbacks to capitalist growth in the metropolitan centres, but they can hardly be considered even temporary regressions back to a pre-capitalist mode — for there is no driving force in that direction, only crises resulting from contradiction inherent in the capitalist mode of production. However, in the peripheral dual mode context in India, where pre-capitalist relations are still prevalent, a competitive situation still exists between the pre-capitalist and capitalist modes. While this makes any regression a genuine setback in the transition towards capitalism, it should not be interpreted so much as a transient trend-dominance of the pre-capitalist mode as a reflection of the inherent weakness of peripheral capitalism in the context of a dual mode of production.

Returning for a moment to earlier discussion, it will be recalled that two forms of tranisition between modes through internal dynamics were identified: evolutionary and revolutionary. History makes quite evident that, where two ruling classes based on two opposed primary modes preside social formation, the developme the mode which is trend-domina not status-dominant must ulti precipitate the displacement o power of the ruling class of th status-dominant mode (e g, the F Revolution and the 1911 Revolut China). Unlike the concept of tionary transition, it does not i primarily the transformation o ruling class of the old mode into of the new one. This type of re tionary transition is exemplified b 'peasant capitalism' that develope France after the French Revoluti which large feudal estates were br up and distributed among the antry, a section of which evolve to capitalist farmers. There is evid to suggest that this pattern of peasant capitalism originating social stratum beneath the domi feudal landlords is a major, if no most prevalent, form of emerging italist relations in Indian agricultu Thus, the trend-dominance of the italist mode of production in In agriculture is best characterised based on a combination of evolutio transition through landlord capita and revolutionary transition thro rich peasant capitalism. At the s time because of the enormous obsta presented by the numerical predon ance of small peasant landholders e aged in subsistence farming, it may more useful to speak of a capita trend rather than a capitalist transit

Another pattern of revolution transition occurs when two dialectic opposed classes emerge with the de lopment of a single primary mode production (e g, the bourgeoisie the proletariat), and the economic subservient class organises to wr State power. In contrast to the f type of revolutionary transition, class which leads the revolution based upon the same mode of prod tion as the ruling class, thus, nece tating a political revolution before economic revolution of transition t new mode of production can be effe ed. The most clear-cut example this, of course, would be a proletar socialist revolution in an advanc capitalist country.

VI

Post-Colonial Modes of Dependen

Having examined the evolution o dual mode of production in India, a having laid down a theoretical fram work for analysis of its nature a

mics, what are the implications of lual mode hypothesis for India in present context of post-colonial ndency? There exists a wide body inion which holds the thesis that abolition of formal colonial ties he advent of formal independence meant little more than symboli- replacing the Union Jack with ka's wheel. The various bourgeois semi-feudal elements whom the h colonialists had been grooming eir own image (despite the expres- of nationalist aspirations) readily the reins of state power. The vast and military bureaucracies were d over to the new government t. The police and military appa- that once served the British to ess workers' and peasants' uprisas well as to frustrate the nationa- was almost immediately turned by ew government against the Telen- peasant revolt. The British multi- nals retained much of their old in the post-colonial economy. failure of independent develop- and the new dependence on gn credit, aid, capital, and tech- y fuelled the notion that post- ial India is little more indepen- than colonial India. It is on such nds that one school of thought has led India a 'semi-colony'.

e usage of the term 'semi-colony' ably originates with Mao Tse- s writings on the nature of ese society in the 1920s and s.[87] In his most complete article he subject in 1939, China was rally characterised as a "colonial, -colonial, and semi-feudal society"[88] n analysis which quite properly nasised the dominance of, and sion between, imperialism (colo- and semi-colonial with the aid of rador capitalists) and Chinese al landlords to arrest the develop- t of Chinese national capitalism the uprising of the Chinese people. e two pillars of oppression were ified as the primary contradictions the Chinese people — the chief es of their impoverishment and gation. The colonial aspect was uted to the wholesale Japanese pation of Manchuria and Taiwan. semi-colonial aspect was derived the holding of treaty ports, im- ion of territorial 'leases', control customs and foreign trade and nunications, as well as use of ary and other means of oppression Chinese soil by Britain, France, a, Portugal, and the United States. mentions other facets of imperialist domination of China such as unequal treaties; foreign ownership of industry and finance; a network of comprador merchant-usurer interests; imposition of foreign culture through missionaries, schools and newspapers; and military aid to the Kwomintang. However he never attempts to suggest that these aspects are unique to semi-colonialism or colonialism.

The question which thus far has apparently evaded the attention of proponents of the semi-colonial thesis for India — presumably because India is still a largely agrarian Third World victim of imperialist penetration like pre-1949 China — is to what extent does today's India bear the characteristics of semi-colonial China? While post-colonial India bears many of the general features of imperialist domination, by no stretch of the imagination does it have any of the features unique to semi-colonialism as outlined above. The distinction is without doubt a qualitative one. It was precisely to gain full control over national territory, ports, regulating foreign trade and communications, customs, taxes, military forces, and a greater measure of control over the economy that the national bourgeoisie of colonial India led the struggle for self-rule. Colonialism, like semi-colonialism, provided the pretext for nationwide popular resistance, and of armed struggle where necessary, aimed directly at ousting the foreign political and military presence and direct foreign economic control. In general, this victory forced imperialism to accept new terms of the international division of labour, permitting a measure of independent development in the periphery.[89] Countries like China, which have succeeded in subsequently embarking on a path of constructing a self-reliant (not to be confused with self-sufficient) socialist economic base, have been successful in fully accomplishing these national aims — including in the economic sphere by effectively withdrawing from the world capitalist system. We may describe China today as 'relatively politically and economically independent', and, therefore, no longer a peripheral country, though still one whose forces of production are at a relatively low level of development.

Numerous other countries, often termed 'neo-colonies', are characterised by formal self-rule but with continuing political and military dependence due to such a degree of economic dependence that severance of imperialist ties would result in imminent economic, and hence political, collapse. These countries fall into two sub-categories: those whose mode of production is fundamentally pre-capitalist (e g, Ethiopia under Haile Salassie, Oman), and those which come closer to Frank's model of full integration into the world capitalist system (e g, Nicaragua, Iran under the Shah, South Korea, Taiwan, Philippines, Singapore). The ruling classes of these states cannot seriously challenge imperialist interests in their countries without undermining the very basis of their positions of state power. Though the economic system is different, the same neo-colonial criteria apply, at least in the political and military sense, to most of the countries of Eastern Europe under Soviet hegemony. In fact, the semi-colonial characterisation might be more appropriate in certain cases, particularly after the experiences in Hungary and Czechoslovakia.

Finally, countries like India have largely succeeded in the national aims of ousting the foreign political and military presence and direct foreign authority over the economy, though the economic aspect is thoroughly incomplete because of the continuing economic dependence and foreign ownerships of some of the means of production. Perhaps India's collaboration with the CIA until 1970 in spying on China or the 1971 Indo-Soviet treaty of friendship may be taken as indications of a degree of political dependence on the superpowers, but such patterns may also arise out of a coincidence of perceived national interests. The important point is that the ruling classes in India can seriously challenge imperialist and other foreign interests without threatening domestic economic collapse and irretrievably undermining the basis of their state power.

There is compelling evidence for this though we can only afford to cite a few examples here. The 1973 Foreign Exchange Regulation Act (FERA), despite its loopholes and exceptions, tightened control over foreign collaborations and import licensing, and forced multinationals to dilute their equity in Indian subsidiaries to 40 per cent (except in a few export-oriented or high-technology sectors). This induced several firms to close down several plants or pack up their operations entirely (e g, IBM, Coca-Cola, Colgate-Palmolive, Dow Chemical, Bata, Cadbury). (We are currently faced with the curious situation in which Coca-Cola has been expelled from India, but

is being invited into China.) The general effort towards import-substitution has at least partially paid off. Four major integrated steel plants have been built in the public sector with foreign credits and technical inputs (hence not entirely without purse strings), but without foreign equity. The same is true of numerous public sector undertakings ranging from pharmaceuticals to heavy machine tools to sophisticated electronics. India's major arms purchases from both the Soviet Union and the West have been tied to licensing agreements to set up the bulk of production in India (e g, the Gnat fighter, Alouette III helicopter, Vijayanta tank, MIG-21M fighter, and the deal signed with Britain and France in 1978 for the Jaguar fighter-bomber). The continued attempts by India to diversify and balance its economic and military supply arrangements among many external powers is a further indication of its ability to manoeuvre politically in the international arena and in the ordering of its own affairs *vis-a-vis* foreign interests. Unlike the neo-colonies, post-colonial India is no longer critically dependent on ties with any particular foreign power — despite its deviations from 'nonalignment'. A second fundamental economic difference lies in India's reliance on foreign capital goods and technology primarily for upgrading, rather than adding to, its means of production. Here a large country has a distinct advantage with a sufficiently large internal market to make possible the creation of industries producing capital goods in addition to capital-intensive items such as automobiles and military hardware. This is in contrast to the neo-colonies with their dependence on not only imported capital goods but even on most foreign industrial commodities needed for their day-to-day consumption. Thirdly, again unlike the neo-colonies, the vast bulk of post-colonial India's commodity exchange and extended reproduction is internal, despite its continued deformation by imperialism and other external forces. These three criteria qualitatively differentiate what we may term a 'relatively politically independent, relatively economically dependent' social formation from a neo-colonial one: (1) diversified foreign political and economic relations preventing critical dependence on a single external power or bloc, (2) economic dependence primarily limited to import of capital goods and credit, and (3) predominantly internalised articulation of exchange and reproduction. These factors, together with the nature of the peripheral state, are directly correlated with the relative strength of the bourgeoisie in a country such as India, and inversely related to the potential for social and economic retardation under the world imperialist order. (It should be noted that these criteria are applicable only in the peripheral context because they have totally different implications in the metropolitan centres. For example, the fact that the bulk of US imports from Japan are technology-intensive consumer goods obviously does not imply that the US is a neo-colony of Japan, but rather reflects both competition and complementation between the two metropolitan economies.) At the same time, even a country like China, choosing a self-reliant path of development, may find that in the interest of accelerating its development it may be desirable to import selected items ranging from raw materials to capital goods to even some consumer goods rather than to do without them or develop them from scratch. Perhaps this suggests the need for a fourth criterion involving the social use of all inputs (including imports), the social distribution of their benefits, and the assignment of development priorities according to whose interests — issues which raise the most fundamental question of socialist *versus* capitalist development.

While India's dependence must be qualitatively distinguished from neo-colonial dependence, one must not infer from this that India is undertaking a general offensive against foreign investment and economic dependence. Most luxury goods industries, with their high rates of return, remain dominated by multinationals. Sectors of such essential industries as pharmaceuticals, namely the manufacture of high-value formulations (as opposed to basic bulk drugs), are also dominated by foreign interests. In the 1970s, the tendency has been to strictly avoid nationalisation in favour of foreign divestment with the 'excess' shares being floated in public issues. Meanwhile, new foreign collaborations are being actively sought under the terms of FERA, especially for the Santa Cruz Electronics Export Processing Zone (SEEPZ) in Bombay and other export-oriented undertakings. Though India has at times carried an enormous foreign debt due to institutional and intergovernmental loans and adverse balance of trade, its position has greatly improved in the late 1970s without any qualitative change in relation to imperialism — sugges that this factor alone is not a useful indicator of the post-colo mode of dependency. During same period, India has emerged modest exporter of technical knowh capital-intensive items, and even s capital goods to the rapidly-develo economies of the Middle East East Africa. However, the comp tive weakness of its capitalism demonstrated by the small share of total market it has captured relative the advanced capitalist countries. M over, most of this export of knowh and capital has been accomplished by Indian private enterprise but public sector corporations which en the advantages of massive state fina ing and frequent subsidies.

This is the nature of post-colon India's dual mode of production. the one hand, the semi-feudal asp serves to inhibit expansion of the ho market, placing obstacles to ra domestic capital formation and efficient utilisation, and relegating In to remain at the world capitalist pe phery. On the other hand, the nati capitalist aspect, including the pub sector (which in large part complemer and serves the private sector's in rests), does support a moderate rate fixed capital formation and is suf ciently strong to regulate the activiti of foreign capital wherever the latt may conflict with the former's interes in India.

Post-colonial India's character relative political autonomy and rel tive economic dependence also giv the Indian bourgeoisie a fundame tally different nature from that of t bourgeoisie in colonies and sem colonies, and to some extent in ne colonies as well. In these latter thr categories, there exists respective political control by, partial politic control by, and political dependen on a foreign power. This control dependence is necessarily maintain through native comprador classes. is a law of history that other segmen of the native population (particularly national bourgeoisie, the intellectual the proletariat, and the peasantry) w ultimately perceive this control or im posed dependence, from which th derive no benefits, to be against the national interests and, if there is high degree of political consciousne to be against their class interests well. It is in this context that th classical distinction between compr dor and national bourgeoisie has fu

vance, with the national bourgeosie king to establish relatively politi- y autonomous bourgeois state ver. However, in a relatively politi- y independent, relatively economi- ly dependent social formation, this tinction as a *class distinction* com- tely loses its meaning. Some ividual capitalists may at one ment and in one sector perceive t their interests are best served by eign collaboration and dependence ough import of foreign capital and hnology. But at another moment h different market conditions or another sector, these same indivi- al capitalists may perceive that eign competition is undesirable be- use it is flooding the home market d cutting into their sales. In other rds, every element of the bourgeoisie such a country is simultaneously tentially nationalist. It is for preci- y this reason that the national urgeoisie which led the struggle self-rule when India was a colony s taken on this dual and vacillating aracter today when India is re- tively politically independent. More- er, it is also for precisely this reason at every major bourgeois political rty (i e where the bourgeoisie and udal landlords share leadership) in st-colonial India — whether Congress, nata, etc — has simultaneously ex- bited comprador and national aracter.[90]

A second noteworthy shift in the ature of class alignments has also ken place with the transition to self- ule. During the period of direct reign rule, the colonialists based emselves primarily on the feudal ierarchy through which land-revenue ollections were enforced. It was, herefore, entirely proper to think in rms of an alliance of interests bet- een the feudal landlords and British nperialism. However, under self- ule the imperialists no longer derive nd revenues and no longer have any *priori* need to base their influence n the feudal hierarchy. Instead, eir search for new markets and llaborations in the post-colonial peri- nery now requires ties with the tive bourgeoisie. Moreover, impe- alism, having a vested interest in main- ining social and political stability ithin its sphere of influence and cking the option of direct rule, seeks avoid famines and socio-economic rises in the post-colonial periphery so far as such avoidance furthers at stability. The 'green revolution' nd other forms of 'modernisation' are major elements of this policy, which may stand in open contradiction to feudal interests. Unlike in the colonial context, in relatively politically independent states imperialism can in general at most seek markets for export of capital and finished goods, utilisation of cheap labour, and raw materials and attempt to manipulate economic development to suit its needs through finance capital — thus, virtually voiding its need to ally with the native feudal classes in particular. The concept of the imperialist-feudal alliance cannot be automatically transplanted into the post-colonial context.

The transition to self-rule and the emergence of relatively politically independent states in the periphery have imposed new terms (alongside the old terms) for the export of capital from the metropolitan centres to the periphery. The economic basis of monopoly capitalism during the first half of the 20th century has been generally characterised by the export of capital and technology with total or majority ownership retained by the exporter. Reflecting the gradually changing world economic order, new direct foreign investment in a country like India consists of joint ventures in partnership with Indian capital with the latter usually retaining a controlling interest. Such arrangements are more prevalent among relatively politically independent peripheral states than among the neo-colonies. Side-by-side with this has arisen another new form involving export of capital and technology under contract, sometimes accompanied by financing arrangements, but without foreign ownership — that is, sale of capital and operational knowhow. While the foreign creditor may still hold purse strings if there is external financing, the purchasing country eventually builds up its equity to 100 per cent as the loan is paid off. Still other sales do not necessarily in themselves involve transfer of technology, such as royalties and fees for use of patents, copyrights, and trade names. We do not wish by any means to suggest that these new forms constitute relationships of full equality between the exporter and purchaser, for the purchaser remains the dependent partner in the sense that it is inferior in terms of capital and operational knowhow and that its operations rely on the continued supply, or rights assigned, by the foreign monopoly. Thus, while it would be improper to speak of foreign control or even domination, the degree of foreign influence may be out of proportion to the share of foreign ownership, if any. The point is that the new forms of joint ventures and sale of capital and operational knowhow do represent qualitatively less dependent relations of production and exchange between the centre and periphery. These forms are becoming particularly important in a country like India which has relative political independence, and in which a public productive sector plays a major role seeking alternatives to foreign ownership. Finally, still another new form to have emerged in the post-colonial era is, of course, foreign aid which Western businessmen widely support because it has the multifaceted effect of stimulating foreign investment, opening new markets to the 'aid'-donor, and being an 'investment in political stability'. Clearly it too is a new form of dependence, though obviously one whose terms are qualitatively less shackling than those of foreign ownership of the means of production.

As national forces in the peripheral countries increasingly seek to assert their independent identities and political autonomy — most sharply reflected in national liberation struggles — imperialism may be forced from time to time to accept less efficient and less obvious, though perhaps more sophisticated, means of surplus extraction. As outlined earlier, the forced transfer of surplus from the periphery to the metropolitan centres under colonialism has gone through a series of distinct stages defined by the nature of the conjunction of their respective stages and levels of development, and to which there correspond different systems of relations between the centre and periphery: pre-capitalist plunder, mercantile capitalism, industrial capitalism at the centre, and monopoly capitalism. This last stage has survived in semi-colonialism and into the post-colonial period in the various forms of neo-colonialism and relative economic dependency. Perhaps the last mode of surplus extraction (if it can still be called 'extraction') and most degenerate economic phase of imperialism is the sale of capital and operational knowhow — reflecting a gradual shifting of the balance of forces between centre and periphery and readjustment of the international division of labour. It is a strictly post-colonial mode because under colonialism much more efficient ' forms of surplus extraction could be forcibly imposed.

The fact that this last form is generally authorised by a contractual agreement, particularly in the relatively politically independent peripheral countries, indicates that it is usually done with the deliberate consent of the local ruling classes in the peripheral country, and is not forcibly imposed by means other than commodity relations or mutuality of perceived interests. The dependency aspect, then, is not one of politics but rather of economics — including lack of efficient capital, technology, and organisation on the part of the purchasing country. On the one hand, to the extent that the sale of capital and operational knowhow is regulated by the laws of international commodity exchange, it remains squarely within the realm of the world capitalist market. On the other hand, because it involves neither foreign ownership of the means of production in the purchasing country nor any other form of direct foreign control, it does not fall uniquely within the realm of imperialism. After all, this is also the form of capital and technology export engaged in by the 'socialist' countries, particularly the Soviet Union, Eastern European countries, and China. Unlike other modes of extraction or dependency, it is only this mode which is compatible with both capitalist and socialist modes of production and in which countries of the two modes alike participate. This situation underlines the distinction between the world capitalist *system*, of which the 'socialist' countries are not an integral part, and the world capitalist *market*, which governs the relations of exchange among all countries.[91]

The Soviet Union's export of capital and operational knowhow to India has often been tied to economic concessions in such forms as adjustment of the official rouble-rupee exchange rate in a manner unfavourable for India's loan repayments to the Soviet Union. The so-called 'non-capitalist path' of development in India's public sector, into which most of the Soviet export of capital and knowhow has gone, has been hailed by the Soviet Union as part of its strategy for 'peaceful transition to socialism'. Yet, in the context of India's dual mode of production at the periphery of the world capitalist system, this is actually another aspect of a dependent path of development where the public sector in large part serves the interests (especially infrastructural and supply needs) of the Indian private business sector and in some ways also of the feudal landlords and multinationals. This path of development in India is, therefore, economically dependent on both world capitalism and the Soviet bloc with both contending to advance their economic and geopolitical interests. Hence, like the dual impact of Western aid and technology transfer, Soviet-assisted development has simultaneously aided and constrained independent economic growth in India.

In summary, we have distinguished among four post-colonial modes of dependency: semi-colonialism, neo-colonialism, relative political independence with relative economic dependence, and relative political and economic independence. Each succeeding mode describes a qualitatively lower level of dependence on the metropolitan centres and increasing autonomy at the periphery. Of course, like primary modes of production, these modes of dependency practically never exist in pure form, and most post-colonial social formations bear features of more than one mode. The main point is to illustrate how the dependency relationship of post-colonial India not only differs fundamentally from that of colonial India, but from those of the neo-colonies and semi-colonies as well as states like China which have withdrawn themselves from the periphery. On the one hand, it would be a serious mistake to underestimate the very real progress which the Indian bourgeoisie and bureacratic elites have made towards a measure of independent development; on the other hand, it would be a still more serious error to underestimate or ignore the continued drive of imperialism to seek inroads, often using new forms, into the Indian economy, and the increasing desire of both capitalist and non-capitalist powers to carve out spheres of influence. Such analysis has profound implications for any understanding of the principal class alliances and contradictions in a society, and hence of the prospects for, and probable nature of, social revolution.

VII

Stages of Revolution

One school of thought, holding that India is a semi-colonial, semi-feudal state, concludes that this leads directly to a two-stage strategy of revolution in India. It supports the view that the current stage is one of struggles of a revolutionary national bourgeoisie against feudalism and imper which thus postpones the strugg socialism until some variety of cratic revolution has been comp The other school of thought, h that India is essentially a dist bourgeois state, considers a non- strategy of socialist revolution a priate for India. The present mode of production thesis would to suggest that neither schoo thought has properly analysed th ture of the mode of production state in post-colonial India, and h that neither strategy is relevant t specificities of the Indian co While it is not possible to delve a full discussion of the stage of r lution in India, since we have not considered in this paper the intric of the nature of the state (which a would form the subject matter o least another paper), it is appropr to briefly examine some general is relating to where the dual mode production thesis eventually leads.

The maintenance of the dual ru class interests in a dual mode of duction requires a form of dual s power — in this case, a political co tion between the bourgeoisie and feudal landlords in which the two lude and contend to maintain th power positions in the Indian st Like the primary modes of product on which it is based, the dual st power has aspects of both stabil and transition. While the politi coalition has managed to mediate c flicts between its two poles, a nec sary contradiction ultimately emer in the historical development of dual state power. Whichever mo and power holds trend-dominance the process of transition to hold status-dominance is the emerging p mary contradiction for the oppres classes in the class struggle. This mea that any struggle against the feudal pect without considering the bourge aspect will inevitably lead by defa to strengthening the relative positi of the latter and to the type of cl collaboration exercised by various parties. Often the class collaborati is restricted to one section of bourgeoisie or another, distinguish not so much by any unique cl character (e g, national *versus* co prador, or petty bourgeois *vers* monopoly bourgeois) as by some am phous criteria for identifying 'progr sive and democratic forces'.

However, consideration of the bo geois contradiction does not mean

of struggle for the socialist re-tion, since the Indian bourgeoisie not completed and cannot com-the bourgeois democratic revo-n. In a sense, one may say that bourgeosie democratic revolution only been half completed in India: existence of a dual mode of pro-ion and dual state power, relative ical independence with relative omic dependence, the appearance mmature bourgeosie parliamentary tutions, the rise of an urban dle class', the general failure to with poverty and land reforms, Instead, a democratic revolution only be completed through an nce of the proletariat and impo-shed peasantry who together con-ite some 90 per cent of the popu-on. Unlike Mao's strategy of new ocracy in China,[92] there is no uely national bourgeoisie to be uded in such an alliance in the -colonial Indian context. Thus, in nse, one may say that what remains id is a 'one-and-a-half stage ggle', first addressing the grievan-of the rural poor and creating a basis for a workers' and peasants' nce, and then raising issues that propel both the workers' and sants' movements forward simulta-usly. At the same time, great tion must be exercised against any d interpretation of a theory of ges of revolution. The experiences both 1971 Russia and 1949 China rly illustrate how the two 'stages' y advance virtually simultaneously the socialist revolution growing r the democratic one.

The precise strategy for social revo-on, of course, can only be developed the course of extended mass political ggle — led by one or more politi-parties working in the concrete ditions of India. Our principal e is that the analysis presented here l stimulate further discussion and hinking, avoiding the pitfalls of chanistic transplantations.

(Concluded)

Notes

N Bandyopadhyaya, *op cit;* P Bardhan and A Rudra, *op cit.*

'Class Analysis of a village', *op* cit; S S Shivakumar, *op cit.*

Pranab Bardhan, 'Variation in Extent and Forms of Agricultural Tenancy — I', *EPW,* September 11, 1976.

Ibid; P S Appu, 'Tenancy Reform in India', *EPW,* Special Number, August 1975; P Bardhan and A Rudra, *op cit.*

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82 See, for example, P Chattopadhyay, 'Mode of Production in Indian Agriculture: An 'Anti-Kritik', *op cit,* p A-190.

83 Bharat Patankar and Gail Omvedt, 'The Bourgeois State in Post-colonial Social Formations', *EPW,* December 31, 1977, p 2167.

84 An equivalent distinction has been made between 'extent' and 'trend', or between 'prevalent' and 'determinant' forces. N Sen Gupta, *op cit,* p A-58.

85 'Arrested Green Revolution', *op cit.*

86 U Patnaik, 'Development of Capitalism in Agriculture — II', *op cit,* pp 7-15.

87 Mao's first published reference to the term was probably in 1928 in: Mao Tse-tung, 'Why is it that Red Political Power Can Exist in China?', Selected Works, Volume I, Foreign Languages Press, Peking, 1965, p 65.

88 Mao Tse-tung, 'The Chinese Revolution and the Chinese Communist Party', Selected Works, Volume II, Foreign Languages Press, Peking, 1965, pp 309-14.

89 See, for example, Samir Amin, 'Self-reliance and the New International Economic Order', *Monthly Review,* July-August 1977; Hamza Alavi, 'Imperialism: Old and New', *Socialist Register,* 1964.

90 Though contrary to the thrust of CPI policy, this notion was recognised by its former General Secretary: Ajoy K Ghosh, "Articles and Speeches", Publishing House for Oriental Literature, Moscow, 1962, pp 59-75.

91 S Amin, Accumulation on a World Scale, Volume 1, *op cit,* pp 3-4.

92 Mao Tse-tung, 'On New Democracy', Selected Works, Volume II, Foreign Languages Press, Peking 1965, pp 339-84 (especially pp 348-9).

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Unequal Exchange and Bourgeois Politics of Working Class

A Comment

Ranjit Sau

UNEQUAL exchange can occur within an economy and also in trade between nations. It is a great merit of V M Dandekar that he has tried to build up an unified analytical framework to explain both the phenomena. He has made interesting use of Sraffa for this purpose.[1] Several years ago, in 1972, Oscar Braun and Samir Amin had made similar attempts, and we have commented upon them elsewhere.[2] Since Dandekar raises some of those issues again it is worthwhile to make a brief comment on his papers.

I

Dandekar's economy I is a 'standard system', and he constructs two other economies, I-A and I-B, which are claimed to be two 'actual systems' correspondingly, in the sense of Sraffa.[3] The two actual economies are not individually viable, since none is capable of producing its own input requirements. It should be noted at the outset that Sraffa does *not* at all talk of such systems; all his numerical illustrations and theoretical analysis assume 'a self-replacing state' of the economy, wherein the economy is in a position to produce its own inputs.[4]

Sectorwise output, input, deficit and surplus in economies I-A and I-B of Dandekar are given in Table 1. For sheer existence economy I-A must import 24 coal and 50 wheat from I-B which in turn must import 44 iron. To simplify the analysis one may consider balanced trade. Let p denote price, and subscripts i, c and w, and A and B stand for commodities iron, coal and wheat, and economies I-A and I-B respectively. For instance, P_{iA} is the price of iron prevailing in economy I-A. Then this condition must be fulfilled:

$$44\ P_{iA} = 24\ P_{cB} + 50\ P_{wB} \quad \ldots 1$$

If not, there would be an unbalanced trade with all the associated complications, and it would make Dandekar's job all the more messy.

In Dandekar's exercise equation 1 is not satisfied; economy I-B runs a deficit in its balance of trade. And Dandekar does not bother about it. This brings us to a more fundamental question. Since neither of the two economies is individually viable, prices cannot be computed without taking into account the cost of imports of inputs. Of course, since the two economies have the same technical conditions of production,[5] being derived from the same 'standard system', it is possible to, in a way, combine the two actual economies and derive the prices. But there is no guarantee that those prices would satisfy the above-mentioned equation 1. In the event equation 1 is violated the consequences of unbalanced trade cannot be wished away.

To sum up, Dandekar first computes the prices in the two economies *separately* without regard to essential imports and exports. Imports do appear in the cost side, and hence, in the price equation. Dandekar's method, therefore, is not logical in general. Now, even though in this particular case the two economies have the same technical conditions of production it does not follow that prices are independent of foreign trade, unless unbalanced trade is permitted. In case unbalanced trade is permitted and it does occur, then the consequences thereof should be given due place in the model itself — and Dandekar has not precisely done this.

II

Dandekar has constructed his economies I-A and I-B to illustrate 'unequal exchange in the broad sense', that arises out of sectoral difference in organic composition of capital. (We have seen above its logical limitations.) Then he proceeds to demonstrate 'unequal exchange in the strict sense' which is due to wage differential between two economies. Now he starts the same inputs as in economy I builds up two other standard sys with standard ratios R=0.10 R=0.50 respectively, the former b called low-productive and the h high productive. He takes r= Note that in the low-productive nomy r=R=0.10; that is to say, la does not get any share of the sur unlike in the high-productive econ where actual r is less than its R.

First of all, our observations mad the above section hold here stronger force. Dandekar shows equal exchange between two econor with R=0.10 and R=0.50, both r=0.10, by computing the prices s*rately*, which is now totally mean less. If the economy of R=0.10 imp iron from the economy of R=0.50 *cheaper* price, the price of its wh in the absence of trade cannot be same as that in the presence of tra If the two economies are indeed s replacing (in the sense of Sraffa) in absence of trade, the prices compu under such circumstances cannot compared with the prices result from trade, which necessarily impl that the economies are not s replacing. To make the point m clear, let P be a vector of prices wh the economy is self-replacing, and a vector of prices when it is not se replacing; subscripts i (i=1, 2) stand two economies R=0.10 and R=0.50 r pectively, and subscript j (j=0, 1) no trade and trade situations respe tively. To illustrate, P_{10} is a vector prices in the economy of R=0.10 in t no-trade situation (j=0), while P'_{21} a vector of prices in the economy R=0.50 when trade takes place (j= Table 2 gives the complete enume tion.

Dandekar[6] in his Table 7 has calc lated what we call (P_{10}, P_{20}) in t Table 2. But then he takes (P_{10}, P as surrogate for what we call (P P'_{21}), and draws conclusion about u equal exchange. If our understandi of his exposition is correct, then the is a grave doubt about his logic, unle he proves that $P_{10}=P'_{11}$ and $P_{20}=P'$

TABLE 1

	Output	Input	Deficit (Input-Output)	Surplus (Output-Inpu
Economy I—A				
Iron	384	260	—	124
Coal	360	384	24	—
Wheat	420	470	50	—
Economy I—B				
Iron	96	140	44	—
Coal	360	216	—	144
Wheat	780	530	—	250

note that Dandekar assumes $P_{10}=$ and $P_{20}=P'_{21}$. This is not all. re are more serious issues.

Dandekar's example, one economy R=r=0.10; so workers do not get share in the surplus which accrues rely to the capitalists of this eco-y.[7] This can be put also as follows: en the workers get only their sub-nce and no part of the surplus in this economy, R=r=0.10. Now trade take place. Still, according to dekar, we have R=r=0.10 and the e set of prices. Therefore, contrary Dandekar's assertion, *no surplus s out from this economy of R=0.10.* ere is the question then of the wor- and capitalists of the economy of 0.50 exploiting the economy of 0.10? In any case, why should the talists of economy of R=0.10 at be interested in trade since their its are just the same, trade or no le? If this analysis is correct, then dekar's calculations are not only gical but also devoid of any meaning tsoever.

III

raffa's discovery of the *standard mmodity* is an epoch-making event in nomics. We must remember that his ntion is to use it as a 'prelude to ritique of economic theory', particu-y the neo-classical 'marginal' econo- theory. He clearly states that :

No changes in output and ... no hanges in the proportions in which ifferent means of production are sed by an industry are considered, o that no question arises as to the ariation or constancy of returns. The nvestigation is concerned exclusively with such properties of an economic ystem as do not depend on *changes n the scale of production* or in the roportion of 'factors'.[8]

The prices in Sraffa are defined as ues of units of commodities *which if opted restore the initial position.*[9] rthermore, an annual cycle of pro-tion with an annual market is umed.[10] Clearly Sraffa considers an nomy with the same levels of output various sectors, repeating itself year r year, and the price system sup-ts that simple reproduction. By plication, as such there is no net ital accumulation that leads to nges in the scale of production.

n Dandekar's construction, economy hat provides the basis of his all sub-quent manipulations the production nation is as follows:

	Output	Input	Surplus
ron	240	200	40
Coal	360	300	60
Wheat	600	500	100

If Dandekar wants to strictly follow Sraffa, then this net surplus of 40 iron, 60 coal and 100 wheat must be consumed in the year of production, irrespective of the distribution of income between wages and profits. That is to say, in Sraffa's model wages and profits have no fundamental, operational difference in so far as disposal of commodities is concerned, both the wage bill and the profits having been fully spent on the surplus products for final consumption.

Given an actual system it is possible to find out a 'standard system' where the *proportions* of sectoral outputs are fixed, but the *scale* of production is arbitrary. For, the standard commodity' is nothing but the right-hand characteristic vector of the Leontief technology matrix determined up to a scalar multiple.[11]

Here we find a link between Sraffa's standard system and the von-Neumann-Leontief balanced growth. Interpreted in this way, Dandekar's standard system, economy I, has to save and invest the entire net surplus of 40 iron and 60 coal and only 20 units out of the 100 units of 'surplus' wheat, so as to ensure a 20 per cent balanced growth rate (R=0.20).[12] But there is no mechanism in Dandekar's model, so also in Sraffa's, to ensure this division of total wheat production between *four* heads: (a) replenishment of 100 wheat being the inputs used up in wheat sector, (b) workers' necessary consumption of 400 wheat, (c) net investment of 20 wheat to maintain the balanced growth at the rate of 20 per cent, and (d) consumption of the remaining 80 wheat out of the workers' and capitalists' income from the 'standard national income'. If this mechanism is missing in the model of standard system, it must be missing in that of the actual system as well.

There are certain tacit assumptions with regard to disposal of commodities in Sraffa's model so that the economy can repeat itself in 'an annual cycle of production with an annual market'. Two alternative interpretations are possible: one, corresponding to a stationary economy of simple reproduction, and another, corresponding to a balanced growth economy a la von Neumann-Leontief, with expending reproduction. Dandekar may please reveal his preference, and do the needful. If he assumes that the entire surplus product is invested, then the stocks of iron and coal go up by 20 per cent next year, but wheat stock rises by 100 per cent; alternatively if he assumes that all the sectors expand by 20 per cent then he has to make provision for consumption of 80 wheat, in addition to workers' necessary consumption of 400 wheat; or if he assumes that the economy remains at the same level of production then the entire surplus products of all the three sectors have to be consumed. These considerations may reduce the degree of freedom in variations of wages or profits.

TABLE 2

	No Trade	Trade
Self-replacing		
R=0.10 ...	P_{10}	P_{11}
R=0.50 ...	P_{20}	P_{21}
Not self-replacing		
R=0.10 ...	P'_{10}	P'_{11}
R=0.50 ...	P'_{20}	P'_{21}

Still more fundamental is the following problem. Sraffa shows that certain relations between wage and profits which obtain in a standard system are carried over to the actual economic system, provided the latter is *self-replacing.*[14] But Dandekar transplants certain relations between wage and profits of his standard system, economy I, into his actual economic systems, economies I-A and I-B, as well as economies with R = 0.10, R = 0.20, and R = 0.50, which are *non-self-replacing* (that accounts for their mutual trade). Dandekar is yet to prove that such a transplantation is possible, keeping in view that there is a contrast like equation 1 which must be obeyed to keep away all the nasty troubles of unbalanced trade. We have demonstrated that Dandekar is mistaken on this point.

IV

Dandekar has certain interesting calculations about unequal exchange and exploitation *within* a given economy.[15] Here the fight is among workers and capitalists of different sectors, over the surplus product in the economy which is constant, given the number of workers and the technology. If there are n sectors in the economy, this looks like a constant-sum game with 2n players. If somebody gains, somebody else has to lose. The question is who loses and by how much? Dandekar again takes up his economy I to simulate with alternative values of wages, profit rates, etc. Then, from the standard system of Sraffa he makes an abrupt jump to India. He ends up by concluding as follows:

I suggest the enunciation of a wages and income policy ensuring guaranteed employment at a certain subsistence wage to all who are willing to work, recognition of differen-

tial skills within tolerable limits of inequality, a ceiling on dividends on private capital, and a commitment to maximising accumulation of capital in public hands. The legitimate role of the trade unions then should be to watch the enforcement of these conditions throughout the economy.[16]

These conclusions are largely in the nature of obiter dicta, unrelated with his earlier analysis. First of all, the Indian economy with all its pre-capitalist elements, by no means can be conceptualised as a standard system of Sraffa. More important is the fact that trade union movement in India is a political question, and it has to be viewed politically.

The role of trade unions in India is not simply to ensure smooth functioning of the capitalist system; rather its role is to contribute towards the struggle for replacing the exploitative mode of production. The aim of worker peasant alliance in India is not just to corner an ever greater share of the surplus product. The movement for wages is only an instrument to organise the workers and to arouse their consciousness so that they can move on to the higher stage of revolutionary struggle. This is not to deny that such movements can, and often do, degenerate into economism. It is the task of the political leadership to steer them away from it. Dandekar's analysis can shed very little light on this all-important strategy.

Nevertheless, if the economist, fond of fancy models, is interested in pursuing the effects of wage variations on inter-sectoral terms of trade where labour is paid necessary wage as well as a part of the surplus, he can proceed as follows. Use the following notations.

- X = column vector of output of n sectors, the n-th sector being labour.
- p = column vector of prices, the n-th element is the 'necessary' wage rate of labour.
- A = technology matrix of the order nxn.
- a_n = the n-th row of matrix A, which is obviously the vector of labour input co-efficients a_n
- w = wage rate, in excess of what is paid to labour to purchase 'necessary' good as given in the n-th column of matrix A. Thus labour gets income at the rate of p_n ('necessary wage) *plus* w ('surplus' wage); these are scalars.
- g = balanced growth rate (scalar).
- r = rate of profit (scalar).
- L = total labour = $a_n X$, which is a scalar.

Let c_i = be the fraction of w which is spent by the worker to buy commodity i for consumption, in addition to his 'necessary' consumption of that commodity. Construct an nxn matrix called D, which shows the worker's demand for commodity i, per unit of production of commodity j and per unit of wage w.

$$D = [\, d_{ij} \,] = [\, c_i a_{nj} \,]$$

The balance equation for gross output is then given by:

$$X = (1+g)\, A\, X + {}_wD\, X$$

$$\text{or, } [I - (1+g)A - {}_wD]\, X = 0 \quad \ldots 2$$

Inputs are brought at the beginning of the period, but the 'surplus' wage w is given at the end of the period. Then prices are determined in this way:

$$p = A'\, p\,(1+r) + w\, a_n \quad \ldots 3$$

Now, there is an important modification to be done. Obviously, the 'necessary' price of labour, p_n, does not consist of any profit element. So, in the n-th equation in (3) we have to put $r = 0$.

There is another condition for prices to satisfy. The 'surplus' wage bill must be just adequate to buy the relevant amounts of commodities. So,

$$w\, a_n X = p'([I - (1+g)\, A]X) \ldots 4$$

As for the numeraire, let sector 1 be 'wheat', and let

$$P_n = 1 \quad \ldots 5$$

Finally, we know that total employment is given by:

$$L = a_n X \quad \ldots 6$$

The system (2)—(6) has 2n + 2 independent equations, one of the n equations in (2) being not independent. It has 2n + 4 unknown variables, namely, X, p, L, g, r and w. Given L, the system has one degree of freedom. We can assign alternative values to w, and find out the impact on other variables. If $w = 0$, then we have $r = g$, and we get the standard system of Sraffa by solving (2) for X. And in that case, $r = g$ = Sraffa's R.

Notes

1 See V M Dandekar, "Unequal Exchange: Imperialism of Trade", *EPW*, January 5, 1980, and 'Bourgeois Politics of the Working Class', *ibid*, January 12, 1980.

2 Ranjit Sau, "Unequal Exchange, Imperialism and Underdevelopment", Oxford University Press, Calcutta 1978. pp 53-55, 183-74.

3 V M Dandekar, "Unequal Exchange: Imperialism of Trade", *op cit*, pp 28 and 30; p Sraffa, "Production of Commodities by Means of Commodities", Cambridge, 1960, pp 20-21.

4 In a subsistence economy at a self-replacing state, output of each sector is just equal to the i requirement of the economy that sector, while in an econ where there is 'production wi surplus', the former is equal t greater than, the latter. S Sraffa, *op cit*, pp 4-5 and 11.

5 V M Dandekar, 'Unequal change' *op cit*, p 29.

6 *Ibid*, p 32.

7 *Ibid*, p 33.

8 P Sraffa, *op cit*, p.v empl added.

9 *Ibid*, p 4.

10 *Ibid*, p 10.

11 L L Pasinetti, "Lectures on Theory of Production", Macmil London, 1977, pp 74 and 95 Miyao, "A Generalisation of Sraf Standard Commodity and Its C plete Characterisation", *In national Economic Review*, Feb ary 1977, p 151.

12 Wheat performs three distinct r in Dandekar's economy I; it (i) an input for wheat sector, (ii) item of necessary consumption labour, and (iii) an item of 'luxu consumption. Only 100 wheat needed to start production; a since workers' necessary consum tion is given at the end of t period, 400 wheat is used up workers' necessary consumption the same period when it is p duced. Note that 20 per cent 100 wheat is 20 wheat. While ir and coal outputs are 20 per c above their respective initial stoc (used as inputs in the econom for wheat it is 100 per cent (i put = 100 wheat, output = 2 wheat excluding workers' necessa consumption).

13 Sraffa, *op cit*, p 20.

14 *Ibid*, pp 22-23.

15 V M Dandekar, "Bourgeois Po tics of the Working Class", *EPW* January 12, 1980.

16 *Ibid*, p 83.

Southern Hydrocarbons

SOUTHERN HYDROCARBONS, joint sector company promoted Tamil Nadu Industrial Developme Corporation in association with Venkataswamy and Associates, has s up a project for manufacture of ace anhydride and acetic acid, monochlo acetic acid, carboxy methyl cellulo and carboxy methyl starch. The proje is set up at Lakshmanapatti in the i dustrially 'backward' district of Pad kottai in TN. In the first phase, t company will manufacture 1,000 tonn each of acetic anhydride and ace acid. The essential raw material industrial alcohol, which is availab in abundance. The basic technic knowhow and basic engineering a provided by Humphreys and Glasgo Consultants. In the second phase, t company will manufacture 900 tonn of monochloro acetic acid and 3,0 tonnes of carboxy methyl cellulose a carboxy methyl starch per annum.

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Associate Editor Rajani X Desai

Assistant Editors M S Prabhakar
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Operation Rescue for IMF?

WHEN he was still managing director of the International Monetary Fund, Johannes Witteveen had been behind the revival of the proposal to establish a substitution account in the IMF. The IMF's role in world monetary affairs had become peripheral during Witteveen's term and his last days in the institution were spent in scraping together ideas for somehow bolstering the Fund's role. The revival of the substitution account proposal had been one such idea of Witteveen's. Now, as chairman of the Group of Thirty, Witteveen has issued the Group's first policy statement supporting the substitution account proposal. The statement has been well timed. It comes a few weeks in advance of the meeting of the IMF's Interim Committee scheduled for April 25 at Hamburg.

By whatever name the proposed operation is called, the idea behind the current substitution account proposal is to help stabilise the exchange value of the dollar without countries like West Germany, Japan and Switzerland having to intervene in the market in the manner they have been forced to do in recent years. Exchange market intervention involves these countries in holding larger and larger amounts of dollars while some other countries are trying to diversify out of dollars.

Though the operation is supposed to be voluntary, there is ample indication to suggest that the countries now wanting to diversify out of dollars — mostly the oil exporting countries but possibly also a country like India which has lately been accumulating reserves — will be under considerable pressure to exchange as many of their dollars as possible for SDR-denominated claims which the Fund will issue from its substitution account. Though the SDR-denominated claims will carry higher interest than SDRs proper and will be more liquid too, their valuation will follow the same dollar-dominated method as that of the SDRs. Therefore, in regard to their value, the new claims will be no more attractive than the SDRs proper. It is well known in fact that the attempt on the part of private international banks to offer SDR-denominated deposits in the past proved to be a damp squib.

So what the Third World countries with reserves comprising more than the desired quantity of dollars are really going to be told is: "If you wish to diversify out of dollars, move into SDR-denominated claims of the Fund. No more movement into non-dollar currencies, please."

The question these countries must now ask is whether they should meekly submit to the substitution account discipline or work out their own options. There is no reason why the countries of the Third World should accept the discipline when the countries which will benefit from the proposal — the US, whose currency's external value will be stabilised and whose short-term external debts are thereby going to be funded, and the surplus developed countries who hope thereby to escape the burden of having to hold ever-increasing quantities of dollars — have no intention whatsoever of accepting any constraint either on their own balance of payments policies or on their international banks.

Or is there some special reason why the IMF has to be bolstered upon the backs of the Third World — after all the devotion it has shown to the interests of the developed countries?

Of course, there is still the possibility that the whole proposal will be thrown out, lock, stock and barrel. But are the Third World countries fully united for this purpose? Unfortunately, the cracks are there for everyone to see. India, for instance, had originally opposed the idea in 1973-74. However, now the Governor of our Reserve Bank is a signatory to the first policy statement of the Group of Thirty, *albeit* in his individual capacity. Even from the standpoint of the country's interests, it is difficult to see any justification for the reversal of India's stand, and that too after taking into account the fact of India's transformation in recent years from a reserve-losing to a reserve-accumulating country. Even that does not, and will not, put India in the Group of Ten. But our economic policy-makers appear to have decided, professedly in the national interest, to reverse the earlier stand on the substitution account. Not for nothing do India's moves on various economic issues cause raising of eyebrows and evoke suspicion in Third World forums. They do, however, earn for our specialist spokesmen plaudits, and much else besides, from the affluent world, directly or indirectly.

Assam

Preparing for a Crack-Down

WITH the announcement that the agitation against 'foreign nationals' will be resumed by the All Assam Students Union (AASU) and the All Assam Gana Sangram Parishad (AAGSP) with an all-Assam Bandh — always Cachar district excepted — on March 26 and indefinite Satyagraha from April 3, the stakes in Assam have been substantially raised. Despite all the optimistic noises made by state and Central leaders about some progress being made in the three rounds of talks held since last month at Delhi, Gauhati and again at Delhi — not to speak of the virtuous declaration at the all-party talks in Delhi early this month in which the leaders of the agitation did not take part — it now appears that no progress has been made regarding any of the substantive issues.

It is true that the Centre has yielded on four points, but these could well turn out to be devices to further strengthen the Centre itself in the region. Thus, restrictions on acquisition of property in the state by non-indigenous people, more tribunals to detect and deport 'foreign nationals', more BSF battalions in the border regions, and provisions for issuing identity cards to every eligible voter are measures with which the Centre can have no quarrel. Some of them, like provision of identity cards with photographs, are straightforward devices of a police state, and it is indicative of the ambiguities and confusions of the situation that a movement which considers itself to be of the broadest masses of the people should demand such a measure. Even the demand for constitutional safeguards to protect the identity of the people of the region — perhaps some form of restrictions on entry and residence of non-indigenous people — as well as the demand that the authority to issue citizenship certificates be taken away from the state governments, especially those of Tripura and West Bengal, and be vested only with the Centre, might be acceded to, for what the students are demanding is essentially more power to the Centre. But agreement on the so-called 'cut-off' date, the demand that from March 25, 1971 (which is what the Centre is insisting upon) it should be pushed back to some unspecified date going back to the early years of independence, appears unlikely. In a sense, this whole controversy about the 'cut-off' point is unreal, and in the final analysis, irrelevant. The students know, as everyone else does, that the mere mentioning of a cut-off point and formal acceptance of a date is not going to solve the problem on the ground, or affect the actual reality — which is that the north-eastern region continues to be perceived as a natural expanding space.

Thus, everything suggests that very unsettled times are ahead in Assam and other areas in the northeast. The most ominous indication has been the quite extraordinary statement by the Union Home Minister in Parliament yesterday where he claimed that the CIA was behind the present troubles in Assam. This kind of catch-all ascriptions of involvement of foreign agencies in domestic troubles provides for the government just the excuse for any eventual brutal crack-down. Possibly, even probably, the CIA (and not merely the CIA) is active (and not merely in the northeast), but what is more germane is that there is in the northeast a situation arising out of certain policies followed by the Central and state governments over the years and it would do no good to hold the foreign agencies primarily responsible for the present situation.

Actually, the Union Home Minister need not look for 'foreign agents' behind the mischief in Assam since his own partymen are active in good numbers in the agitation, and are now threatening to launch a 'counter-agitation' in West Bengal. This is not surprising for, as noted in these columns last week, the Congress party, while mounting the loudest slogans in favour of 'national integration', has also been the biggest disrupter of national unity, particularly of the working people which is perceived (quite rightly) as a threat to its monopoly rule. Hence it is appropriate that while the Congress (I), along with the Janata, has supported the movement in Assam, the party, along with the Janata, in West Bengal has been stoking the fires of Bengali chauvinism by inciting the youth to block all movement of men and goods to Assam passing through West Bengal.

Farm Taxation

One Step Forward, Two Steps Back

IF tax reform happens to be the despair of social scientists, land tax must be the despair of tax reform The metamorphosis of the West Be (Farm-Holding) Revenue Bill, 197 the course of its passage through legislature should dispel any remai doubts on this score.

Introduced by the Left-Front gov ment in December 1978 as a pionee measure "to rationalise and impr the system of land revenue in the in est of proper implementation of c prehensive measures of land reform the state", the Bill revived hopes progress in an area where every agrees reform is long overdue, but party in power dares disturb the *st quo*. Modelled on the lines sugges by the Raj Committee, the Bill sou to replace the existing system of l revenue by one in which the 'reven i e, tax payable, would be fixed on basis of the "total rateable value the holding of every farm-holding o raiyat at the rate or rates prescribed the Schedule [to the Act]". The ratea value of the land would be determi on the basis of the value of the gr output of the main crops or any oth major produce grown in the area which the holding in question is locat The rateable value of an area, wh would be a tract comprising a distr or its part, would be assessed on t basis of "soil, climatic conditions, rigation and marketing facilities, avera yield of land, prices of main crops any other major produce and su other factors which may be consider relevant and necessary". Presumab the state would be divided into are which could be considered homogen ous in their soil and climatic chara teristics and the rateable value of la in each such area would be assess by a State Rating Board which wou be set up by the state governme There would be Regional Rating Boar to do the preliminary work of assessi the rateable values for different are Tentative statements of rateable valu would be published inviting objectio if any. Once final, there would be appeal against the determination rateable value of an area, which wou remain in force for a period of fi years.

The holding of each farm fam would be aggregated and the tax ass sed on the total rateable value of t holding computed from the rateal values of the respective areas in whi the land or lands comprised in t holding were located. Holdings wi rateable value of not more than Rs 5,0 would be exempt. Thereafter the t

ld be leviable at rates ranging form r cent to 8 per cent of the rateable e.

nlike in the scheme of holdings put forward by the Raj Committee, he West Bengal scheme no attempt sought to be made to determine tax annually with reference to the s grown every year. Though the ils were not specified in the Bill, ould appear that the rateable values ld be assessed on the basis of ages of gross output of the major s grown in an area and their prices a period of time, probably a couple ears. While this would reduce the pness of the system to capture the tions in the taxable capacities of rent land holdings as reflected in current output and prices or the ping pattern of each holding and blunt the progressive edge of the nevertheless considering the adstrative problems which annual assment based on crops grown on holding gives rise to, the West gal scheme seemed to offer a good promise. By relating the tax to the of holdings and recent trends in productivity and prices in agricul-, it would at least bring some sense the system of farm taxation in the ntry and go a considerable way to t the two main defects of the exist- land revenue, *viz*, lack of elasticity equity, the inequity being partirly acute in a state where the rates coming down since the zamindari s and were quite often fixed on siderations unrelated to producti-.

he form in which the Bill was lly passed, however, raises serious givings. The Select Committee to ch it was referred changed the title he bill to "West Bengal Land Hold- Revenue Bill, 1979" (dropping the ds "Farm-Holding") to extend its erage to non-agricultural holdings well. Modifications made by the Select mittee — and later accepted by legislature — however went beld mere change of name. While the will still be leviable by applying ogressive rate schedule to the rate- value of holdings aggregated on mily basis, by an amendment put y the Select Committee, the rate- value for an area will now be ased at "ten per cent of the market e of land in the area to be determed in such manner as may be cribed".

markets were "perfect", capital es of assets would be definable corres of their yield and it would make little difference whether the value of the assets or its yield was used as the tax base. As nowhere in the real world do market values bear so simple a relationship to the yield of assets, it is not easy to devise a formula by which one could be derived from the other. It must be even more hazardous to guess the market value of an asset like land as it is influenced more by expectations of future returns than by its current or past yield. Otherwise, it is difficult to explain the high value of vacant lands within or in the vicinity of urban centres. The market value of agricultural lands too depends on a variety of factors and is seldom determined only by the value of its current output, much less past yields. If all land holdings likely to come within the net of the proposed tax are to be valued properly after taking account of all factors usually considered relevant for the purpose, the task obviously would be far from simple.

The factors which will need to be taken into account can of course be kept within manageable limits by rules, as the government will have the powers to prescribe the manner in which valuation is to be done. But rules can only facilitate the implementation of an Act and cannot override or circumscribe the meaning of terms appearing in the Act. The operative implications of the term "market values" cannot surely be bypassed and all the hazards of notional valuation — the rock on which even the best conceived tax systems foundered — have to be faced.

More important, when the market value of land constitutes the base, lands of all prospective taxpayers will need to be valued individually. It is doubtful if a straightforward application of the rateable value derived from average land values in an area — however homogenous — to all lands coming within that area will pass the tests of equity imposed by the Constitution, as expounded by the courts. While there could be an arguable case for relying on averages if rateable value were related to value of gross output — it would have several economic merits on grounds of which the absence of any attempt to assess the productivity of each plot separately would be defended — a tax based on average market values of land in an area would be extremely difficult to sustain in the courts. For seldom do two pieces of land have the same value, even if their productivity in terms of agricultural output happens to be the same. Then there will be distinctions arising from variations in rights in land (e g, because of leasing, mortgage and so on) which have important bearing on their market value. Averaging on an area basis will obviously not do for valuation. If on the other hand the land in each holding is to be valued individually, the proceedings will, in all probability, get bogged in interminable litigation. In any case, wth an exemption limit of Rs 50,000 in terms of capital value, that tax will apply to a small fraction of the land-owning households — perhaps no more than 40-50,000 in a state with nearly 30 lakh farm households — and will be of little significance from any angle.

Thus protestations about its intent to effect a fundamental restructuring of the land revenue system notwithstanding, the Bill has been robbed of its teeth by the Select Committee. What impelled the Commitee to depart so radically from the original scheme? Did the Left Front government develop cold feet when it came to touching the rich and upper middle peasants? It is difficult to say for certain. The impression, however, is unavoidable that the Left Front in West Bengal succumbed to the same compulsions which have successfully stalled all attempts to bring reason into the derelict system of land taxation which lingers on despite its inequities and failure to reflect the vast changes that have taken place in India's agriculture. The setback is not for West Bengal alone.

Iran

Flourishing 'Rival Centres'

THE results of the elections to Iran's parliament, held on March 14, have been indecisive with only 69 out of the 270 seats being won outright. A second round in the form of run-offs between the two candidates securing the largest number of votes (the winning candidate has to secure more than 50 per cent of the votes) is now scheduled for the third week of April though according to the earlier election schedule, these run-offs were to be held on April 3. Of the 69 results declared, candidates belonging to the Islamic Republican Party (IRP) have won 46 and only 9 seats have gone to known supporters of President Bani Sadr. Since both Bani Sadr and the IRP leaders have traded charges of unfair practices (at the stage of voting, according to the President, and at the stage of counting, according to IRP leaders), it is likely that there will be further postponement of the second

round of polls, and consequently of the constitution of the parliament.

Bani Sadr's efforts to consolidate his victory in the presidential elections two months ago have been beset by a basic contradiction, while affirming his loyalty to Ayatollah Khomeini, he has also tried to neutralise, to the extent possible, what he has repeatedly characterised as 'rival decision making centres' in Iran, deliberately pretending to overlook that the authority these rival centres of power derive from Khomeini considerably predates his own emergence as a leader. Whatever views Bani Sadr might have held earlier, since his election as president he has tried, first, to delink the extradition of the former Shah from the question of US hostages; and secondly, as the first step in that direction, to secure the transfer of hostages from the US embassy premises and thus deprive the student militants of a powerful symbol of their determination to secure the Shah's extradition.

In both these tasks Bani Sadr has failed. He failed to make the student militants relent in their stand that the visiting UN team would be permitted interviews only with a small group of hostages and not with the whole lot; and earlier, he had an even more embarrassing setback when the students, after promising to 'hand over' the hostages to a representative of the Revolutionary Council, promptly refused to recognise Bani Sadr's foreign minister as such a representative, arranged for massive demonstrations in their support and even secured Ayatollah Khomeini's endorsesment of their stand.

It is against this background that one has to consider Bani Sadr's legitimate concern about liquidating 'rival centres of power' — though, in a revolutionary situation as currently existing in Iran, whether such dissolution of 'rival centres of power' is at all possible, since the many factions which brought about the revolutionary situation are still deeply divided on how best to proceed further. So anxious Bani Sadr apparently is about these 'decision making centres' that he has taken recourse to the extraordinary insinuation that the student militants refusing to yield on the question of the hostages are possibly tools of the Tudeh party.

Meanwhile the ordeal of the hostages, who have been held since November 4 last year, continues. The United States recognises that its dispute with Iran is political, and not over 'human rights'. What is perhaps holding the United States back from acting further from such a recognition of the political nature of the dispute is the still lingering hope that it will be able to create among the new ruling groups in Iran a faction more friendlily disposed to itself; or that somehow the Ayatollah and the militants will go away, perhaps with a little help from the United States itself. This probably explains the extraordinary efforts, till now unsuccessful, by Bani Sadr to secure the 'delinking' of the Shah-hostages question, and the equally persistent efforts, also till now unsuccessful, to secure the liquida of the rival decision-making cen Clearly, Bani Sadr was overeac himself after his victory in the p dential polls; and his prosecutio these two aims while at the same affirming his total loyalty to Ayat Khomeini as well probably influe the voting in the recent election the Iranian Parliament where all ind tions are that his supporters will come a cropper.

LETTERS TO EDITOR

Assamese People's Agitation

MOST of the articles appearing in Left journals have been hostile to the Assamese peoples' agitation, perhaps with reason, given the undoubted brutality shown against Bengali-speakers and the active role of many reactionary forces.

But I am still not convinced. There are some fundamental questions — fundamental from the view of a communist response, not journalistic exposure — that have not been dealt with thoroughly by the writers.

(1) Is the Assamese peoples' agitation fundamentally one of chauvinism or of national self-determination? This is not a question of the progressive-or-reactionary nature of the leadership but of the fundamental class/national characteristics of the society and the movement. I am puzzled as to how in particular those marxists who characterise India as a 'multinational' country can so lightly throw around the concept of 'chauvinism'.

(2) If the movement is fundamentally around issues of national self-determination, should the response of communists be to condemn it because the leadership is reactionary or to take part and attempt to provide an alternative leadership?

(3) Is there any objective basis for the fear of the Assamese people that they and their cultural-national identity may be swept by the Bengali influx? If there is, then what kind of assurance that this won't happen has been given — historically and at present — by the communists?

(4) Is the CPI(M) really based only among the Bengalis in Assam? If this is true after 50 years of communist presence in the area, then isn't it understandable that the Assamese people find it hard to understand what c munism means?

Kasegaon, GAIL OMV
March 11

Ghastly Murder of Revolutionary Writer

JNANESWAR KEERTHI, a member the Revolutionary Writers Associat (RWA), a poet and a committed p tical activist, has been murdered. he stated in his dying declaration fore a magistrate in Warangal's M Hospital, kerosene and petrol w poured over him when he was asl in his tailoring shop and a matchst struck and thrown at him. Immediat he was all in flames from head to t This took place in the first week February and he survived only fo few hours on the following day. Ke thi had allegedly brought on hims the murderous wrath of one Konda who runs a private educational insti tion just by the side of Keerthi's tail ing shop. 'Jani', as Keerthi endearingly called by his friends, had the effrontery, in Kondaiah's eyes, give moral muscle and courage to victims of his oppressive behavi towards his employees, men women.

Jnaneswar had been a member RWA since 1972 and he was second none in the matter of going to countryside in order to build up as ciations of poor peasants and agri tural labourers. His is a shin example of courage and commitm both as a writer and as a revolution

I call upon your readers to denou this act of savagery, the alleged p petrator of which is reportedly scot-f even a month after his dastardly a

Kavali, K V RAMANA RE
March 11

Divide and Rule

Romesh Thapar

HAT a situation! Law and order, or iat goes by these words, is increasingly veloping an anarchic sort of quality. ices of essentials continue to rise adily. Cement, diesel, kerosene, sugar d such like are even difficult to obtain nder the counter' in many parts of country. Disillusionment visibly creases with the miracle-makers of e Congress(I), but the people want to patient.

Meanwhile, the PM and Sanjay Gandhi e obsessed with appointments. It's rt of the philosophy of dynamic vernance. But the new elite is equally sessed with its hatreds and bitterisses. The priority given to the alleged olations of the corporation's building les in The Indian Express office exnsion is a pointer. The lawyers watch e scene, getting ready for continuing igation — yes, even on appointments. hat a mix of motives!

Political 'Consolidation'

So far, the government of Indira andhi and Sanjay has not been able perform on any front. Political conlidation seems to be the central rust. If nine Assemblies have been ssolved, then the work of disrupting e Opposition has increased nine-fold. en-fold, in fact, if you include the ssembly' that Jagjivan Ram represents. t the rate at which the Opposition is eding upon itself, the Congress(I) ould be able to paralyse the voting npulse of those opposed to it — and ery much in the style of the recent byections.

But how long is this phase of manilation, of divide and rule, likely to st? Problems continue to crowd in. may be good politics to ascribe em to Janata misrule, but even here here are limits to the game of passing e buck. Those who promised miracles, ust now produce them. Soon, there ill be enough realism generated to rsuade the Congress(I) cadres that iracle-making is a lot of bullshit. Then e political and economic infrastructre will come under scrutiny. Here, o, the ideas of the Congress(I) are arginal and vapid.

Those who claim to know the mind what is called the ruling family are itting across the notion that Indira andhi is moving the country in the rection of a presidential system — mething like what it is now, even though it parades as something else. But no one is able to answer the question whether a presidential election will be risked. A single Opposition candidate could upset the cart of cabbages and kings. If the presidential system is taking hold of the ruling family, we will soon be tested on the possible transitions to it. All very difficult, with every thinking Indian a legal luminary.

Echoes of Assam

These thoughts are intensified by the deteriorating situations in Assam and the north-east, and the apparent inability to work out consensus solutions. The whole subcontinent is watching the events in Assam. Any new formula about 'foreigners' and their future in the state will apply with varying force all over the country, where considerable migrations have taken place as a result of development and where directing elites have become more mixed than ever before. For many years, the special status given to the Valley of Kashmir has been resented. What will be the reaction to an inequitable solution in Assam?

The Assam problem cannot be separated from the tribal unrest in the north-east, and the peevish, even provocative, attitudes of the Bangladesh government — and, for that matter, the regime in Nepal. Contrary to popular reports, Delhi is begining to play tough because it is fearful of the repercussions of weakness in this sensitive region of the subcontinent. There is an unfortunate *ad hocism* in all this when one views the totality of a disturbed power balance in South Asia.

Despite the efforts the Soviet Union is making to broaden the Afghan regime of its servitor, Babrak Karmal, it is unlikely that the wounds of the past year will heal so rapidly as to permit the Red Army to withdraw. Unless Pakistan's adventurism with Afghan guerilla activists is curbed, the distant decision makers in the Kremlin may well decide to play the Pukhtoonistan and Baluchistan cards. The dismemberment of General Zias' shaky State could be rapid. Perhaps, that is why he is having second thoughts about the 'peanuts' (arms aid!) he had accepted earlier. There is talk of 'neutralising' Afghanistan; Pakistan might find herself included in this scenario.

Need for a Total View

India cannot afford just to look on as if the embarrassments of Pakistan serve her national interests. Our confusions lost us the Tibetan buffer, and our continuing confusions may well lose us another buffer in the north-west. China, watching over the moves to dismember Pakistan, could well bless movements which set in motion similar dismemberment in India. Indira Gandhi and Sanjay Gandhi need to maintain a fuller and more intelligent view of the new situation in South Asia as they move on Assam and the north-eastern tribes — or, for that matter, the CPI(M) strongholds in the East and the South.

The gravest danger to the future of our federal polity is that the parties which constitute the responsible democratic centre of our political life have torn themselves to pieces and are either in the hands of charlatans or of persons incapable of packing a punch on any issue. Had the parties of the Left not isolated themselves from the mainstream with their mechanical rhetoric, which no one is able to relate cogently to the Indian reality, this would not have happened. But there is still sufficient anxiety and anger in the subcontinent to throw up a leadership wedded to a federal consensus and prepared to cut the bureaucratic jungle which holds us almost petrified. We have become too terrified of breaking the *status quo*. And, yet, the subcontinent needs a massive shaking.

Assam is a pointer. All the bitternesses, frustrations, angers, animosities, racialisms and communalisms are getting locked with job opportunities, power hierarchies and political distortions. Assam reflects the sickness building in the subcontinent. We have to re-draw the map of federal India, giving new status to new groupings within the larger states. Unless this is done in time, there will be many Assams to deal with. The Congress(I) line for a strongly centralised State is poison for the patient. But who in the Congress(I) realises this? And who in the Opposition is going to point this out — and act?

It is in this way, from issue to issue, that the responsible democratic centre of our political life will form to halt the dangers of polarisation. And it is to this end that we must work if our federal republic is to survive in the destabilisation now threatened.

March 14

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (1.3.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77	In 75-7
All Commodities	1000	231.4	2.8	23.8	21.5	−0.1	5.1	2.1	−1.1
Primary Articles	417	216.0	2.2	20.8	19.5	−1.4	9.7	0.8	−6.6
Food Articles	298	189.2	1.9	13.3	11.6	−0.7	11.7	−5.1	−4.9
Non-Food Articles	106	209.7	3.7	21.0	20.5	−4.6	6.1	19.7	−14.6
Fuel, Power, Light and Lubricants	85	295.5	—	18.1	14.4	4.4	1.4	5.3	10.5
Manufactured Products	499	233.3	3.7	27.5	24.7	0.1	2.2	2.3	1.4

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77	In 75-76
For Industrial Workers	1960=100	363[9]	0.8	8.0	9.3	2.2	7.6	−3.8	−1.3
For Urban Non-Manual Employees	1960=100	329[8]	1.2	7.5	6.8	3.4	7.0	—	2.6
For Agricultural Labourers	July 60-June 61=100	360[10]	2.9	10.8	16.1	−1.9	6.9	−4.7	−13.9

Money and Banking	Unit	Latest Week (29.2.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77	In 75-76
Money Supply (M_1)	Rs crores	24,610	353 (1.5)	3,531 (16.8)	2,752 (12.6)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)	1,237 (10.4)
Net Bank Credit to Government	Rs crores	18,529	334	3,591	3,137	1,921	2,449	910	559
Bank Credit to Commercial Sector	Rs crores	29,938	225	4,880	4,604	4,111	2,718	3,111	2,721
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,396	—137	190	—23	974	1,991	1,378	658
Deposits of Scheduled Commercial Banks (latest week 7.3.80)	Rs crores	31,330	175 (0 6)	4,696 (17.8)	4,455 (16.6)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)	2,328 (19.7)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976	In 1975
General Index	100.00	146.3[9]	150.6	147.4	2.2	6.8	5.3	9.8	4.7
Basic Industries **	32.28	158.4[6]	169.6	161.2	5.2	4.8	4.5	14.3	13.4
Capital Goods Industries**	15.25	155.4[6]	165.5	156.4	5.8	2.7	9.1	10.5	0.5
Intermediate Goods Industries **	20.95	132.7[6]	139.1	131.7	5.6	8.0	4.3	7.5	1.2
Consumer Goods Industries**	31.52	119.5[6]	138.2	143.4	−3.6	10.0	6.8	10.2	−2.1
Durable Goods**	3.41	159.6[6]	159.7	145.4	9.8	7.7	13.3	13.2	−15.3
Non-Durable Goods**	28.11	114.6[6]	135.6	143.2	—5.3	10.4	6.1	9.8	−0.2

Foreign Trade	Unit	Latest Month (Jan 79)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76	74-75
Exports	Rs crores	404	4,878 (10.5)	4,416	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)	3,331 (32.0)
Imports	Rs crores	761	6,481 (19.6)	5,417	6,764 (12.3)	6,025 (18.7)	5,074 (3.6)	5,265 (16.5)	4,520 (53.0)
Balance of Trade	Rs crores	—357	−1,603	−1,001	−1,072	−621	72	−1,222	−1,198

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975	1974
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)	4,833 (2.6)
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)	5,172 (−15.8)
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20 6)	408 (3.0)	396 (−23.3)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript [4] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period

Diversification with Higher Profit

Hansavivek

ERDILLIA CHEMICALS is expand-g and diversifying its activities. It s secured a 'letter of intent' from vernment for manufacture of alpha ethyl styrene, acetophenone and myl phenols. A pilot plant for the anufacture of alpha methyl styrene s been commissioned and other plants e being planned. A total investment over Rs two crores is planned for rious recovery schemes. The com-ny is also seeking permission for ex-nsion of capacity of the cumene/ enol plant, from 15,240 tonnes to 5,240 tonnes per annum. Its applica-n for expansion of the phthalic hydride plant from 6,096 tonnes to 2,696 tonnes per annum is still under nsideration. In the meantime, the anagement is evaluating the possibi-ty of renovating and up-dating tech-logy which could greatly improve tilisation and efficiency of the existing lant. The company has recorded its terest for participation in the gas acker plans, both in Maharashtra and Gujarat. At the same time, other avenues of expansion and diversification are being assessed. The expansion of the research and development laboratory is almost complete and work is in hand on several new product possibilities and on by-product recovery processes.

The company has produced good results for 1979, with turnover, profits and margins higher than those of the previous year. Dividend, raised by two points to 20 per cent, is covered 1.77 times by earnings as against 1.35 times previously. The directors point out that increase in turnover from Rs 23.30 crores to Rs 30.25 crores does not reflect any significant change. It represents the unprecedented increase in price of naphtha and own feed stocks in August 1979. Naphtha prices were increased by 150 per cent and the consequential increase in the company's raw materials ranged from 60 per cent to 100 per cent. Profitability improved partly due to improved margins on phthalic anhydride and plasticisers and partly due to stock gains, the latter being non-recurring in nature. Overall production of finished products was marginally higher than in 1978, while the annual production of phthalic anhydride and diacetone alcohol was the highest recorded so far. Except for a short run-out of ortho-xylene early in the year, the raw material supply position was generally satisfactory. Power availability was extremely critical during May to July last. The company has an installed internal generating capacity of 1,460 KVA, without which the effect on its operations would have been disastrous. Another generator of 730 KVA capacity is to be installed this year. The renovation and modernisation of the cumene/phenol plant is expected to be completed early next year.

SUESSEN TEXTILE BEARINGS has announced a proposal to issue bonus shares on a one-for-five basis and to maintain dividend at 15 per cent for 1978-79. The directors have also recorded their intention to declare "not less than 15 per cent" on the expanded capital after the bonus issue. Turnover,

The Week's Companies (Rs Lakhs)

	Herdillia		Suessen Textile		Bajaj Tempo		Sirsilk	
	Latest Year 31-12-79	Last Year 31-12-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-9-79	Last Year 30-9-78	Latest Year 30-9-79	Last Year 30-9-78
aid-up Capital	735	735	89	89	316	316	302	302
eserves	572	453	178	159	558	375	52	20
orrowings	95	83	336	314	528	550	126	146
of which Term borrowings	35	83	63	33	288	247	126	146
ross fixed assets	1581	1508	478	428	1231	993	938	900
et fixed assets	462	452	261	246	799	646	203	186
nvestments	66	65	—	—	—	—	—	—
urrent liabilities	541	251	397	250	926	498	383	329
urrent assets	1414	994	679	562	1531	1095	659	612
Stocks	521	326	278	239	1053	773	397	353
Book debts	823	591	333	309	304	307	199	204
et sales	3025	2330	681	561	3552	3180	1158	972
ther income	50	60	9	4	41	49	18	20
aw material costs	1588	1245	263	171	2467	1816	344	291
ages	172	173	90	75	359	302	219	210
nterest	8	13	50	51	44	29	25	24
ross profit(+)/loss(—)	775	524	131	100	559	262	86	70
epreciation provision	72	66	35	35	93	75	23	29
ax provision	432	267	58	29	243	56	—	—
et profit(+)/loss(—)	271	191	38	36	223	131	63	41
evelopment rebate provision	10	12	5	9	35	39	23	—
ransfer to reserves	114	47	20	14	148	67	9	10
ividend								
Amount	P —	—	P —	—	P —	—	P 31*	31*
	E 147	132	E 13	13	E 40	32	E —	—
Rate (per cent)	P —	—	P —	—	P —	—	P 6	6
	E 20	18	E 15	15	E 12.50	10	E —	—
Cover (times)	1.77	1.35	2.54	2.07	4.70	3.09	—	—
Ratios (per cent)								
ross profit/sales	25.62	22.48	19.23	17.82	15.74	8.24	7.43	7.20
et profit/capital employed	20.73	16.08	14.23	14.52	25.49	18.95	—	—
nventories/sales	17.22	14.12	40.82	42.60	29.64	24.31	34.28	36.32
ages/sales	5.68	7.42	13.22	13.37	10.10	9.50	18.91	21.60

* For two years.

profits, and margins are higher than their respective levels of the previous year. The unchanged dividend of 15 per cent is covered 2.54 times against 2.07 times. Owing to delay due to port congestion in Bombay, imported machines could be installed only in the first quarter of the current year. With the contribution from these machines, this year's performance is expected to be still better. In view of the growing demand for drafting components, the company has undertaken a substantial expansion programme at an estimated cost of Rs 4.5 crores. This is proposed to be financed by internal accruals and term loans from financial institutions and is expected to be completed by next year, after which the company's turnover is expected to be well over Rs 12 crores. A new agreement has been signed with the collaborators, Spindlefabrik Suessen of West Germany, which will enable the company to take up manufacture of new items required by the textile spinning industry.

BAJAJ TEMPO's gross profit has more than doubled to Rs 5.59 crores from the previous year's Rs 2.62 crores, following a 71 per cent expansion in sales. Net profit is also substantially higher at Rs 2.23 crores against Rs 1.31 crores and dividend raised by 2.5 per cent to 12.5 per cent is covered 4.70 times against 3.09 times. The company produced 6,982 Matador vehicles, 390 three-wheeler vehicles and 1,280 diesel engines for other puproses and thus achieved 90 per cent of the installed capacity for vehicles established in the first phase of expansion programme. Licences for import of machinery for the second phase of expansion have been received and a foreign currency loan of Rs 1.69 crores has been sanctioned by ICICI. Machinery and equipment is expected to begin arriving from June next and to be completed by the end of March 1981. The company is engaged in developing a new improved diesel engine in collaboration with Daimler-Benz of West Germany. Partial production of the new engine is expected to start sometime during the third or fourth quarter of 1981. The company has marketed the tractor-trailer combination, which has been accepted by municipal authorities. Three prototypes of the new vehicle designed for use of farmers to replace the bullock-cart have been given to customers for field trials and feedback information.

SIRSILK has achieved further improvement in its performance and is clearing another two years' preferential dividend arrears upto 1958-59 and ploughing back Rs 9 lakhs to the reserves. Equity dividend is once again skipped and is not in sight in the forseeable future in view of the low level of profits. Meanwhile basic duty on acetate staple fibre, which was raised from Rs 1.50 to Rs 2.65 per kg last year, has been further stepped up to Rs 4.60 per kg (including additional and special excise duty) from October 30 last. This steep rise has evoked consumers' resistance and resulted in accumulation of stocks. During the current year, alcohol production in AP is likely to go down due to poor sugarcane crop because of drought conditions. The management feels that the company may not get more than 15 to 20 per cent of its requirements from the state. Efforts are being made to import alcohol from other states, but there will be overall shortage of alcohol in the country. The cost of imported alcohol will be much higher. The company may have to obtain its balance requirements of acetic acid/acetone from the market at a much higher rate to make up for the deficit in supply of alcohol. In the revision proceedings undertaken by the Central government *suo moto* of the orders passed by the central excise authorities in Hyderabad, cellulose acetate manufactured by the company has been made liable to excise duty. The company proposes to move the Supreme Court in the matter. The management is studying the consultants' project report regarding the 10 tonnes capacity per day paper plant for manufacturing special quality papers.

STATE BANK, which entered the arena of merchant banking about seven years ago, has emerged as the leader in the field with the successful completion of over 135 assignments including 104 involving management of capital issues worth over Rs 115 crores. Loans were syndicated for projects ranging from Rs 20 lakhs to Rs 100 crores, totalling a capital outlay of about Rs 654 crores. The bank offers comprehensive services from its merchant banking division in the central office in Bombay and the six bureaus located in Bombay, Calcutta, New Delhi, Madras, Ahmedabad and Hyderabad. The package of services ranges from project evaluation to managing of equity, bond and rights issues, corporate counselling, advice on portfolio management, and syndication of term and working capital finance. Little over a year back, the division celebrated the golden jubilee of public issue assignments. While the division handled the first 25 public issue assignments in the first three years of its existence, it took about a year each to move to gold and from gold to cross the 100 mark — a fact indicative of the pace of growth of the division. With the pace of industrialisation showing signs of acceleration, State Bank looks to the future with confidence to play an ever wider and vital role in the field of merchant banking. At a function held recently in Bombay, P C D Nambiar, chairman of the State Bank of India, said that the merchant banking activities were conceived to spur entrepreneurial activities and their importance can be gauged from their relevance to the nation's economic development and industrial growth.

CENTRE FOR STUDIES IN SOCIAL SCENCES, CALCUTTA

requires the following :—

(i) Two Fellows in Political Science in the pay scale of Rs. 700-40-1100-50-1300-60-1900/- plus other admissible allowances. Applicants should have good Post-graduate degree in Political Science and preferably have specialisation in Political Theory/Indian Politics. The posts are temporary, initially for a period of two years which may be extended to a third year.

(ii) Two Senior Research Scholars in Modern Indian History on a consolidated stipend of Rs. 600/- per month, initially for a period of two years. Candidates should have good Honours and Post-graduate degrees in Modern Indian History and preferably some experience in research work.

Applications with detailed curriculum vitae, comprising academic qualifications, research and teaching experience and list of publications with names of three referees may be sent to the Registrar, Centre for Studies in Social Sciences, Calcutta, 10 Lake Terrace, Calcutta-700 029 by April 15, 1980.

EW DELHI

Economic Salvation through Multinationals

B M

HILE reiterating his fondness for tnership between Indian companies d multinationals in his speech in- gurating the Chem-Tech exhibition at mbay, the Vice-President of India, dayatullah, referred to his earlier dely noted speech at Delhi in which first came out with a case for shed- ig distrust of multinationals and owing them a wide role in India in llaboration with Indian business in- ests. He claimed that his views on ltinationals were his own and did t necessarily represent those of the vernment. This was something of a rprising claim for someone in his sition to make. But it is also under- ood that his Delhi speech had been afted for him in the Commerce Min- ry and he had read out his speech. e Commerce Minister, on his part, eaking from the same platform had rther reinforced the position taken by e Vice-President and elaborated on

There has been speculation since en about the drift of official policy multinationals, especially against e background of the ouster of Coca- ola and IBM during the brief period Janata in power. Hidayatullah had ade specific mention of that fact in s speech. He said: "We have noticed late in India a sudden distrust of ultinationals and indeed it was ap- rehended at one time that like Coca- ola and the IBM and some others the ultinationals one by one will have to uit. At present there is certain re- ission in that apprehension". The uestion immediately came up whether is was a command performance. idayatullah's assertion at Bombay that ese were his personal views and not the government has not given a con- ncing answer to the question. On the ntrary, the question has received lded relevance.

Widely noted in this context is the ime Minister's personal intervention e other day when this question was intedly raised in the Rajya Sabha. A ember wanted to know from the In- stry Minister during question hour hether the government would allow oca-Cola and IBM to return. Indira Gandhi prevented the Industry Minister from replying and preferred to intervene at this stage. Her intervention, to begin with, was rather equivocal when she merely parried the question by saying that the query on Coca-Cola IBM was not relevant to the main question which was concerned with industrial policy. This was interpreted in some reports as suggesting that she had ruled out the return of the two multinationals. But this interpretation would be rather far-fetched in the given context. For, when the member asking the question persisted, Indira Gandhi, besides saying other things, went on to declare that her government proposed to review the policies of the previous government all along the line. She asserted that "what appears on the surface [so far as the previous government's policies are concerned] is not everything. There is something more to it". These remarks were pointedly relevant to the the question of ouster of Coca-Cola and IBM as much as to any other policy or action of the previous government. They did not, therefore rule out reconsideration of the matter even though Indira Gandhi said she had not received any proposal so far regarding the two multinationals. There indeed could be no better or broader hint of the government's willingness to take up their case if an appropriate occasion arose and this lends added significance to the renewed interest in and emphasis on the role of multinationals. Business circles with their own hopes and ambitions of dealing with multinationals do not hesitate to praise the government's pragmatic approach towards multinationals as to other aspects of industrial policy.

A remarkable feature of the evolving policy on multinationals is the stress on their role in marketing, especially marketing in the wider global context. Indian big business interests have been keenly exploring opportunities on these lines. They seem to think that the scope here can be immense. Their hopes have been reinforced by their collaborators — present and potential — from abroad. The avid interest of Indian business in collaboration deals for ventures in third countries, sub-contracting and facilities for outright export of capital has been noted in recent past. The return of a strong and stable government is now widely believed as providing the necessary muscle for advancing on a broad front on these lines. If exploitation of the domestic market with import substitution as its main thrust was at one time the motive force behind financial or technical collaboration deals between Indian business interests and foreign capital, the emphasis is now fast changing and the operational arena for such collaboration is being shifted to foreign markets, especially in less developed countries.

The arrangements for collaboration being discussed on a fairly wide-ranging basis underline this position. Though initial steps towards setting up new export-oriented steel plants on turnkey basis with total financing by foreign collaborators were taken during the Janata regime, with Biju Patnaik as their active promoter, they have received a fresh impetus and accelerated momentum with the change of government. The Janata managed to clinch a deal essentially on these lines with the Soviet Union for setting up the steel plant at Visakhapatnam. Being actively negotiated now are proposals from UK and West Germany. The proposal for a giant aluminium complex in collaboration with France on the same lines has also made considerable headway and was an important item of interest during the French President's recent visit. Earlier, Indira Gandhi's meeting, after her election victory and even before she had been sworn as the Prime Minister, with the representatives of a Paris business group had been widely publicised. The Japanese have also been active and their offer to set up trading companies to market Indian products abroad has evoked considerable interest in official circles, so much so that the question of a further dilution of FERA is being considered for such foreign ventures. Marketing as a technological input which deserves a special dispensation in collaboration arrangements with multinationals has found a new importance and urgency in advocacy for assigning a bigger role to multinationals in official policy. The Commerce Minister, Pranab Mukherjee, has been most emphatic and outspoken on the subject.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

SPEECH OF THE CHAIRMAN



SHRI SIDDHARTH S. MEHTA

TO THE MEMBERS

I have pleasure in placing before you for your consideration the Twenty-fifth Annual Report of the Board of Directors of the Corporation for the year ended December 31, 1979. The completion of 25 years of operations is an occasion to reflect on the past and look into the future.

From Rs. 3.5 crores in 1955, ICICI's sanctions in 1979 increased to Rs. 217 crores. Since its inception ICICI has assisted over 2500 projects promoted by nearly 1400 companies. These projects cover a wide spectrum of industries. The cumulative foreign currency funds disbursed by ICICI at the end of 1979 were equivalent to Rs 534.6 crores, almost 59 per cent of the total disbursements.

Resources provided by the World Bank, the Kreditanstalt fur Wiederaufbau (KfW) and other agencies constitute the mainstay of ICICI's foreign currency funds. Over the years, however, ICICI had endeavoured to diversify its resource base by raising funds directly from the world capital markets, at opportune times. In 1973, ICICI raised 8 million Swiss Francs by making a bond issue in the Swiss capital market. In 1978, it raised 20 million US dollars from the Eurocurrency market through a syndicated loan. Recently, ICICI has negotiated a syndicated dual-currency loan equivalent to US $ 30 million from the Eurocurrency market.

In addition to providing direct financial assistance for import of equipment, ICICI has also acted as a catalyst in channelising foreign capital in other ways The diversified growth in ICICI's operations was possible largely because of a pragmatic approach adopted by it in discharging multifarious responsibilities. From the beginning of its operations, ICICI laid special stress on a professional approach to project appraisal, a constructive attitude, especially in dealing with new entrepreneurs. The relationship between ICICI and its clients has not remained limited to that between a lender and a borrower but it has been more in the nature of a partnership. A combination of factors—eminence of individuals who have comprised the Board of Directors of ICICI, executives who have provided the qualities of leadership and a dedicated and competent staff—has made the progress of ICICI possible. These traditions, established since long, are cherished even today by ICICI and are valued by its clients.

Over the years the institutional structure has become broad-based. Many new institutions, at the national and State levels, have come into existence. The quantum of assistance provided by ICICI and other term-financing institutions has increased rapidly in the recent past.

Notwithstanding a rapid growth in the volume of funds provided by institutions, the overall environment for industry is characterised at present by a certain degree of uncertainty, which pervades many areas of its functioning. Inadequate availability of power and coal, transport bottlenecks and high cost and uncertain availability of petroleum and its products have impaired operations of industry. The recurrent infrastructure failures are partly a result of inadequate investment in the past and partly of persistent inefficiency in utilisation of capacity. While the demand for energy and transport has increased, both in the industrial and agricultural sectors, there has not been a commensurate increase in generation of power and transport facilities.

Therefore, advance planning of additional capacity needs to be done and adequate provisions made to meet demand. Having planned the provisions, this sector must be insulated against periodic stringency of budgetary resources and slippages in implementation. But the problems which hinder efficient utilisation of existing capacity in infrastructure industries at present are essentially managerial. Production in these areas is mostly in the public sector. For bringing about an improvement in operational efficiency, the existing management systems, the degree of autonomy in operations, managerial motivations and the state of industrial relations needs to be given a fresh look.

The constraint on industrial growth on account of the scarcity of petroleum products defies easy solution due to dependence on imports. Both the limited availability of petroleum products and their high cost need to be distributed equitably among the different users, namely, industry, agriculture and consumers.

Frequent resort to price controls and other regulatory measures in the past is another factor which introduces uncertainty in the investment climate. As a remedy for allocating inputs or final products in short supply, price controls have proved to be self-defeating. By discouraging further investment in the concerned industries, controls have perpetuated shortages.

The operations of industrial units, especially in areas where domestic industry had hitherto enjoyed protection, are adversely affected on account of liberalisation of imports. A lowering of tariff protection in successive stages has caused hardships to nascent industries and new units in all industries. In the case of new units which were already under strain because of escalation in capital costs, viable operations have become all the more difficult.

The cumulative impact of these factors has given rise to the problem of 'industrial sickness'. The phenomenon of sickness, afflicting the industry as a whole needs to be distinguished from the one which is confined to an individual unit in an industry. The former requires, almost invariably, some action in one or more areas of government policy.

On the other hand, tackling the problem of sickness at the unit level requires specific measures, depending upon the nature and extent of the problem in each case. As a part of schemes of rehabilitation, financial institutions have provided relief to weak units wherever justified, the extent of relief being quite significant in some cases. If the incidence of indirect levies is high, fiscal concessions to individual units for varying periods of time, become necessary for their revival. This often poses intractable problems. If the source of a unit's weakness is management, strengthening of management becomes necessary. If the weakness is confined to a particular area the problem is contained. Financial institutions have often helped weak projects in locating suitable personnel.

However, if the sickness of a project has persisted for a long time and capital is eroded, financial restructuring may not be an adequate solution and the situation cannot be remedied by marginal changes in management. Merger of a weak unit with an existing company might often be the only remedy. While provisions under Section 72A of the Income-tax Act, 1961, permit such mergers, only a few cases have been cleared so far and there have been long delays in the sanction of permission.

Rehabilitation of weak units is a complex task and involves risks. If the sickness has reached an advanced stage only a management with proven capabilities would be competent to tackle the situation by taking a weak unit under its care. No management is likely to be interested, unless there are some benefits for the existing company with which a weak unit is to be merged. The task of identifying suitable companies with which a weak unit could be merged becomes less difficult if timely clearances of merger proposals are assured.

As regards new units, almost an abnormal rise in capital cost of projects during the 1970s and the resultant high capitalisation, has made them uncompetitive *vis-a-vis* established units. Their problems have been further compounded by a slow growth in demand. In order to inculcate confidence among promoters and thereby sustain new investment, fiscal and other positive measures to assure remunerative operations of new units would have to be taken. Rebates in excise duties and other indirect levies related to output of new units could be a suitable instrument in this regard.

On another plane, the problem of escalation in capital costs has manifested itself in a manifold rise in the quantum of investment in core industries. To meet the rising demand for long-term industrial finance, the scope for raising additional resources, both from domestic and international capital markets, has to be explored. Eurocurrency markets constitute a favourable backdrop for raising additional industrial finance. Measures need to be considered for mobilising external finance in which Indian financial institutions and banks could play a useful role. For tackling industrial financing problems in the next decade, a fresh thrust in thinking is necessary.

N.B. This is an extract from the Chairman's Statement circulated to the shareholders with the Annual Report and Accounts for the year ended December 31, 1979.

Adroit-2067

GUJARAT

Dissolution and After

Nagindas Shanghavi

THE seventies are still alive in Gujarat and the poll performance of various parties during the decade would help in measuring the strengths and weaknesses of the various political parties and their prospects in the coming assembly elections.

The Table clearly indicates that no national party other than the two Congresses can claim any sizeable following in Gujarat. While Leftist parties are very weak, the Jana Sangh on its own strength never secured more than two or three per cent of votes and a few seats. It was only as an active participant in Nav-Nirman agitation and later, as a constituent of Janata party that the Jana Sangh secured 18 Assembly seats (1975) and 3 Lok Sabha seats (1977).

Though all the elections to Lok Sabha and Assemblies were separately and independently held, the local political situation has never been immune from the impact of the national mainstream. The shock waves emanating from the swings of parliamentary elections of 1971 and 1977 toppled the ministries of Hitendra Desai and Madhavsinh Solanki respectively.

The electoral support to both the Congresses, so evenly matched in 1971 and 1977, swung decisively to ensure a sweeping victory for Congress (I) in terms of both votes and seats in the 1980 Lok Sabha polls. But even so, the Congress (O) — which was and has been the Janata party in Gujarat — secured 36.5 per cent of the votes and even the Lok Dal secured three per cent of the votes.

The spectacular swing in the assembly elections of 1972 and 1975 was due to the abnormal circumstances under which they were held. The 1972 elections, held after the war in East Pakistan, resulted in a record number of votes and seats for the Congress; but its still nascent organisation could not bear the weight of victory. The factional struggle was temporarily sought to be resolved having an 'outsider' as chief minister; but much to the chagrin of Indira Gandhi, he was ousted by Chimanbhai Patel. But the exit of Oza did not mean an end to factional strife which was itself overtaken by the Nav-Nirman agitation of 1974.

Nav-Nirman and its aftermath are still live issues in Gujarat. The Assembly was dissolved and fresh elections were held in 1975, just before Emergency was imposed. But even in these elections, which the Congress party of Indira Gandhi fought under the twin handicaps of factionalism and loss of support in the urban areas, the party's vote was only about 10 per cent less than what it was in 1972 — and even these votes were cornered by the Congress rebels organised under the Kisan Mazdoor Lok Paksh (KMLP) led by the expelled chief minister, Chimanbhai Patel. The Congress retained its position of being the largest single group in the assembly (75 seats) and the opposition parties fighting as a loose coalition — Janata Morcha — secured 78 seats.

The total collapse of Janata in Gujarat in the 1980 polls is hard to understand. The Janata party had a fairly long and not an altogether inglorious tenure. Its record during Emergency (in the form of Janata Morcha) was inspiring though its post-1977 rule lacked both vision and drive. Free movement of agricultural products, a fairly stable price structure, appointment of Bakshi Commission for the non-scheduled backward castes and speedy acceptance of all its important recommendations, the vehement demand for a share in the output of Bombay High, Narmada award and the efficient preparations for its implementation, enlightened encouragement to industrialisation, the unique tribal food banks and forestation schemes, the 'Antyodaya' scheme for the rural destitutes — these are achievements of which any government could be justly proud. But the Janata government was also responsible for some obnoxious measures, one of which was the appointment of a commission to review — and reverse — the land ceiling policy of the previous government. On the positive side again, the Janata in Gujarat, unlike at the national level, was united, and even unscrupulous defectors without whose support the party could not have formed the government were firmly held at bay. The administration too was efficient and free from corruption; there was not even a breath of scandal regarding anybody in the higher echelons of party or government. But despite these merits and achievements, the Gujarat unit of the party fared no better than elsewhere in the country; in fact, it secured just one seat in the recent Lok Sabha polls.

But all this is now history; and political groups in Gujarat are regrouping for the impending contest. The struggle in Gujarat will be joined by the two and only two major forces, Congress(I) and Congress(O), — under whatever denomination the latter chooses to appear. The Janata is still licking its wounds and fresh ones are being inflicted by the continuing crisis at the national level. While Jagjivan Ram does not have much support in Gujarat, his crusade against RSS will strike many responding chords because most of Congress(O) leaders share his suspicion of and aversion to Jana Sangh. Curiously enough, Charan Singh, the avowed protagonist of Gandhian economy and village oriented policies, evokes little response in Gujarat. The state has a long tradition, dating back to 1952, of agriculturist pressure groups

TABLE : ELECTIONS IN GUJARAT, 1971-80

	Lok Sabha 1971	Assembly 1972	Assembly 1975	Lok Sabha 1977	Lok Sabha 1980
Total Seats	24	168	181 (+1 vacant)	26	26
Congress (I)	10 (41.69)	140 (50.93)	75 (40.70)	10 (46.92)	25 (54.90)
Congress (O)	11 (35.76)	16 (24.29)	56 (23.59)	16 (49.54)	1 (36.50)
Swatantra/BLD/ Lok Dal	2 (6.32)	— (1.78)	2 (1.45)	—	— (2.9)
Jana Sangh	— (2.21)	3 (9.29)	18 (8.81)	—	—
Socialists	— (1.58)	— (0.72)	2 (0.73)	—	—
Communist Parties	—	1 (0.69)	— (0.25)	—	— (0.23)
Others and Independents	1 (11.71)	8 (12.96)	28	— (3.54)	— (3.41)

Note : Figures in brackets are percentages of valid votes.

and the emergence of Chimanbhai Patel was hailed as the vindication of rural interests; and his downfall and expulsion from the Congress were attributed to the conspiracy of urban and upper classes and castes. His closest associate, Vallabhbhai Patel, was one of the convenors of Charan Singh's Kisan Rally and in turn invited Charan Singh to address two kisan rallies at Ahmedabad and Rajkot. But the Lok Dal is a resurrected ghost of Swatantra party and is as such seen as a party of the bourgeoisie and of feudal interests both of which are anti-farmers — which perhaps explains why it is not a force in Gujarat.

Since the Janata party in Gujarat is largely Congress(O) under a different name, with the Jana Sangh a very junior partner, not much love is lost between the two. In fact, there is an intense though undeclared hostility between these two associates and neither allowed the other to participate in their electoral campaigns during the recent Lok Sabha elections. The RSS claims (the claim is unverifiable) to have about 50,000 regular members; but most of them are mere teenagers, probably more interested in physical culture than in political indoctrination. Though there have been communal riots in the state — the Ahmedabad riots of 1969 were one of the worst in India — and though Union Home Ministry considers Gujarat as a riot-prone area, Hindu or Muslim communalism is not a decisive political factor over vast areas of the state.

Ever since the Congress split of 1969, Gujarat has been the bastion of Congress(O) and for more than a year after the split Indira Gandhi could make no headway in the state. But being closely aligned to land-owning gentry, the party gradually began to acquire a conservative image. Finally it invited its own downfall by attempting at the national level a 'Grand Alliance' with Swatantra and Jana Sangh which were its bitterest foes at the state level. Morarji Desai was accused of sacrificing party interest to seek personal vendetta. Its close association with the Jana Sangh throughout the decade further isolated it from Muslim, Harijan and tribal voters and reduced it to a party of urban business interests and upper castes. At present, its supreme boss, Morarji Desai, says he has retired from 'power politics' and its most effective campaigners, Babubhai Patel and Keshubhai Patel, are handicapped by ill health; and its second rank leaders might not be able to face the onslaught of the Congress(I). —

The Congress(I) itself has travelled a long way since 1975 and 1977 when, as Jinabhai Dorji admits, "it was difficult to face the public and look into their eyes". Emergency had burdened it with numerous opportunists, but the 1977 debacle flushed its system and made it a cohesive group of staunch loyalists. It is interesting to recall that it was Gujarat which gave hope to Indira Gandhi and after the mammoth rallies in south and central Gujarat, she has never looked back. The Gujarat Congress(I) leaders have worked out a strategy of structuring their party on the basis of KHAM — Kshatriyas, Harijans, Adivasis and Muslims — and have been relentlessly working at it in south and central Gujarat and also in Saurashtra. The party is however rather weak in north Gujarat and Kutch. Some of the leaders — activists like Jinabhai Dorji and ideologues like Sanat Mehta — angrily repudiate allegations of casteism by asserting that caste struggle on the lines worked out by them is in reality a conflict between the classes. The issue, however, is complicated and there are many regional variations in land ownership patterns. Kshatriyas who are deprived landless labourers in central and north Gujarat are the landowning and turbulent Girasdars in Saurashtra and Kutch, in which region most of the Patels are not kulaks but marginal farmers.

Just now, the Congress(I) is suffering from the burdens of victory and is getting overcrowded by gate-crashers. These new entrants have also created problems for the party. Ratubhai Adani, eager to consolidate the Kunbi votes in his domain, is insisting on the absorption of the entire KMLP group led by Vallabhbhai Patel, an extremely efficient organiser but also a famous turncoat who has successively passed on from Congress(I) to KMLP to Janata to Kisan Rally to Lok Dal to Congress(U) and is now seeking to complete the circle by returning to Congress(I). Madhavsingh Solanki and others do not object to him much, but they suspect him to be a trojan horse who will ultimately smuggle in Chimanbhai Patel, the supreme political acrobat in Gujarat. It is feared that Ratubhai Adani, by thus strengthening himself, will stake his claim for chief ministership and jeopardise the chances of Solanki. After prolonged confabulations amongst the top brass during the whole of February, Adani categorically stated that he was not in the race and might not even contest the elections on account of his age and health.

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SSAM

Fall-Out of Underdevelopment

Hiren Gohain

' is naturally difficult to supply irrefu-ble evidence of foreign complicity in e present agitation in Assam, though e circumstantial evidence is impres-ve. Besides, there is the danger of bjective bias. Our friends in the CPI ink that the links forged by the move-ent witth the Mizos and the Nagas e sufficient evidence to establish the volvement of China, though in my inion such a reading is far-fetched.

The British are certainly worried er the prospect of labour unrest in e tea-gardens. They have a number giant tea-plantations under their con-ol and the marketing, even of the oduce of Indian-owned tea-gardens, dominated by Lipton and Brooke nd. The British unease over growing bour unrest, now that the INTUC no nger enjoys a monopolistic position nong the labour organisation and ere are everywhere signs of growing ilitancy, might well have led to the pport of the managers to the move-ent in most cases. Significantly ough, the gardens were exempted om the several successful total Assam andhs organised by the Gana Sangram arishad. The BBC has given imme-ate and wide coverage to the various hases of the movement. However, there evidence that even before Indepen-ence the tea-planters had their 'own en' among the prominent political aders of Assam, who had toyed with e idea of a "sovereign" State of Assam the British left (see Amalendu Guha, From Planter Raj to Swaraj", Delhi 977).

As for the CIA there is little in rms of direct American investment in e economy. Of course, there is Ameri-n collaboration in exploitation and traction of Petroleum, but that does ot amount to much. The more impor-nt reasons for any American involve-ent may well be strategic — a de-gn to contain pro-Soviet forces, in-rnate in the American eyes in the PI(M)-led governments in West Ben-l and Tripura. It is significant that hen the movement was in its peak d there was a blind frenzy against e so-called "silent invasion" of the angladeshis, the Bangladesh border ards most conveniently started fir-g across the borders at Indian secu-ty forces! The recent success of the PI(M) in assembly elections was a shot in the arm for the dirty tricks ex-perts of the CIA.

Philip Agee's revealing account of the clandestine operations of the CIA ("Inside the Company", London, 1975) mentions certain features that are very much evident in the present movement in Assam: (1) A massive press-cam-paign against communists and Com-munism before an impending election; (2) Attempts to wreck "red" trade-unions and create alternative non-com-munist unions; (3) Patronage to mili-tant non-communist student move-ments.

The CIA is also supposed to be be-hind the sudden unanimity of views between the leaders of the hill tribes and the Assamese leaders. The history of their relations since Independence had been one of mistrust and *The As-sam Tribune* had blandly advised bomb-ing of the civilian population when the Indian Army had been foundering in Nagaland. The tribal organisations have apparently come under CIA influence through Christian missions, which have done much to earn their gratitude and affection. It is really odd that the chap-ter of misunderstanding and mistrust be-tween the Assamese leaders and the leaders of the hill tribes should so ab-ruptly be replaced by fraternising and amiability.

During the late 1950s an influential work of American political science on India had been Selig T Harrison's "In-dia: The Most Dangerous Decades", which predicted disintegration of the country and pointed among other things to Assamese linguistic fanaticism. It is clear that whenever the Indian economy and political life faces a crisis, the al-ternative for some time to come could hardly be the Left. In such a situation the regional forces have some chance. The CIA may well promote such forces to the point of secession provided it is in its interest.

Americans have recently taken some interest in the politics of this region. A well known American political scien-tist has also written a study of the "problem of migration" in this region. The CIA eggheads are quite likely to use the data collected by such investi-gations. In this they are a jump or two ahead of the security services of the Indian government, who do not seem to realise the potentiality of mischief in backwardness and frustration.

A the same time one must resist the temptation to pamper Fascist forces on the ascent in the North-East. Back-wardness alone does not explain the shocking and widespread violence against the minorities, the brutal sup-pression of dissent in the local press, the anti-communist fury. Since the 1960s Assamese liberal middle-class culture has been undermined from with-in by a systematic infiltration of Fas-cist ideas and attitudes, so that the average educated Assamese is not shock-ed when the most reactionary and in-human sentiments are purveyed by the local press in the guise of patriotism. There has indeed been a "treason of the intellectuals". They are so busy feathering their own nests they don't seem to care when the ideals of huma-nism they profess are thrown overboard.

As for outsiders getting away with lucrative jobs and business opportuni-ties, it is partly due to the lack of local skill and enterprise. First there is the objective situation failing to foster the virtues of steady diligence and thrift, hardy enterprise and punc-tuality. This is aggravated by the hang-over of parasitical semi-feudal culture which promotes dreams of unearned leisure. This explains the educated As-samese attitude of contempt and coercion towards the labouring people of other races, who are expected only to be "hewers of wood and drawers of water" for their Assamese masters. This attitude has now percolated to the ranks of the Assamese peasantry.

The main reason for the widespread unemployment is of course underde-velopment. It is often forgotten that unemployment among the local Bengalis is much more acute than among the local Assamese. Hence progressives, instead of seeking to burden Bengalis with a false sense of guilt, should streng-then the campaign to eliminate "un-even development". Besides, they should make it a point to fight resolutely all forms of bourgeois ideology that preach reactionary communalism as an answer to fundamental economic ills. No doubt there is a remnant of Bengali chauvi-nism among sections of the local Ben-gali population, but that is hardly as great a danger as the virulent Assamese petty nationalism.

Has migration had no other effect than 'swamping Assamese identity' — as claimed by the Assamese opinion builders? Who built the roads and bridges that brought the different loca-lities in Assam within reach of one another? Who staffed the first school-

and colleges? Who started the first hospitals? Paradoxically enough, it was only the coming of skilled people from outside that indirectly laid the foundations of the Assamese 'national identity' which is bandied about so freely by the Assamese leaders of the movement. The immigrant Muslim peasants from Eastern Bengal brought under the plough thousands of acres of swampy and uncultivable land, left fallow by the Assamese for generations. The trader from outside had helped in bringing inaccessible villages into contact with markets in the towns.

This is not to exonerate the Big Nation Chauvinism that influences the rulers in New Delhi. They do not seem concerned to encourage and develop the productive forces in the north-east, and appear interested in this region only as a hinterland for the manufacturers in metropolitan areas. This lopsided development must be corrected if Assam is not to turn into a threat to India.

BRITAIN

Tory Radicalism

Anikendra Nath Sen

MARGARET THATCHER and her lot are trying to show their teeth — admittedly a difficult task since the acceptable face of High Toryism is fat and podgy, the wobbly jowls making it difficult to exhibit snarling teeth. Curiously enough the lady herself is merely stodgy which probably explains why she has remained discretly in the background these past few turbulent weeks while letting the podgier lot get on with the job.

Employment Secretary James Prior is currently engaged in cutting the unions down to a size acceptable to High Toryism and the brethren in Commerce and Industry are not at all happy about the way he is going about things. Alas for Prior, he is nothing but a sheep in wolf's clothing — which explains why he is in trouble with the lady and the baying hounds on the Tory backbenches. He is said to be much closer to Edward Heath; and many would consider him to be a left wing fifth columnist in the ranks of the free market and democracy.

Prior is at present attempting to push through an Employment Bill. The Bill, like the 1971 Industrial Relations Act, attempts to set things back in proper Tory perspective — somewhere around the turn of this century when unions were liable for prosecution for any 'illegal' act committed by any member. It seeks to end secondary picketing — legal at present — which people on strike in a particular plant or industry can picket other plants and industry associated with theirs. The Bill also seeks to emasculate the closed shop under which a person has to be a member of the union in order to get and keep a job. The baying hounds of the Tory backbenches are demanding their pound and a half of flesh. Since the Prior proposals are not enough, how about stopping social security payments to strikers and their families?

Leaders of the Trades Union Congress (TUC) are, more often than not, Tories in sheeps' clothing. Most of them belong to the Labour Right or the Tory Left, it hardly matters which way you look at them. They are being increasingly subjected to pressure from union rank and file to stand up and be counted. They view the Prior proposals with horror, as a betrayal by one of them. This is not because the Bill attacks the fundamental rights of the working class but because the working class will attack them if the Bill becomes law. Prior's other proposal for state financing of secret ballots in union elections and strike votes will come in handy in precisely such an eventuality. Like the Oracle, Len Murray, General Secretary of the TUC, has pronounced: "We are in for a rough time — and I mean a very rough time." According to Murray, the TUC is close to the breaking point and if the government's position remains unchanged the TUC would probably be unable to 'control' the situation and workers would, horror of all horrors, take their own actions.

The strike by workers of the public sector British Steel Corporation is a vivid example of workers leading their union bosses. The strike is currently in its eighth week and has extended to secondary picketing of private steel units. When the Court of Appeal ruled that picketing of private steel units was illegal, the Centrist general secretary of the Iron and Steel Trades Confederation publicly declared his willingness to defy the court's ruling if his union ordered him. The union executive decided to w draw the secondary pickets and a further judgment on the issue f the House of Lords. Not so the un militants, many of whom contin their pickets and were arrested. secondary pickets were back ag when the House of Lords ruled t they are perfectly legal.

The trials and tribulations of Prior have overshadowed the proble of Home Secretary William Whitela First Whitelaw was accused of raci and sexism for his legislation to f ther restrict immigration by banni the entry of husbands and fiances women not born in Britain and n born to British parents on tempora duty in foreign parts. The Bill whi would reduce immigration by a meag two to three thousand a year result in considerable aggravation from ev the Tory backbenches when some f sighted Tories realised that there we around 24 marginal constituencie many of them their own, in whic black and brown voters could mak the difference between victory an defeat.

The next onslaught on Whitela was over the simple matter of som 200 deaths in police custody durin the last 10 years. His Labour prede cessor, Merlyn Rees, maintained th there was nothing basically wron with the police force — only a fe rotten apples. Whitelaw too main tains the same thing. The Common Home Affairs Committee is to loo into these deaths in custody.

Hardly had this died down whe the Home Secretary was plagued b questions on the telephone tappin headquarters in London discovered b the *New Statesman* and said to b capable of tapping 1,000 lines simulta neously. The grapevine has it tha the telephones of at least two MP are being tapped — one of them fro the ranks of the Tories. Whitelaw has confined himself, so far, to som unconvincing answers comforting irat MPs with the thought that all tele phone taps have to be cleared by hi office.

The Tory fat cat truly having field day is, of course, Lord Soames over 4,000 miles away in Zimbabwe It has now become quite clear tha more than one deal was struck a Lancaster House before the forma signing of the accord on Zimbabwe There seems to have been near unani mity in the view that Bishop Muzo rewa was a spent force. The choic

a successor inevitably revolved ound Joshua Nkomo who, for long, s a private deal going with 'Tiny' owland, head of the Lonhro indus- al group which has its eyes on ex- nsion of mining interests in Zim- bwe. Robert Mugabe was considered o close to the Soviet Union for mfort, although, in their haste to mbat the evils of Communism, the bby Tory masterminds appear to ve overlooked many others more to e left of Mugabe. Be that as it may, rd Soames is merely carrying on e traditions set outside Lancaster ouse. In his blundering attempts to ay the same game, Ian Smith may ve upset the applecart somewhat by umbing for Nkomo and thereby shing thousands of the potential pporters straight into the arms of ugabe. Robert Mugabe has, so far, caped two assassination attempts, e of his local officials has been lled and Lord Soames has reacted y banning and restricting the move- ents of Mugabe's followers.*

Meanwhile here in London, home of arliamentary democracy and the free ress, Fleet Street hacks have been rying their eyes out on the shoulders f friendly officials from Common- ealth countries because all copy on imbabwe, from the very beginning f the Lancaster House talks, has been ubject to rigid control from up above. et another instance to show that eneath the flabby jowls the Tories till possess a few effective teeth.

It is only in the sphere of foreign ffairs and that too on the curious ase of the Soviet Union and Afghan- stan that Margaret Thatcher has hought it fit to emerge from the loistered surroundings of Downing treet to make her presence felt. She as led the call to boycott the Olym- ics in which Britain stands to lose nly a couple of gold medals. She has een in the forefront of the battle to restore' the arms balance which would nerely mean borrowing some more entures from the Americans in order o effectively snarl at the Russians. he has even called for a review and caling down of trade with the Soviet nion, the only sphere in which the ritish stand to lose a lot. Soviet nion is one of the few countries ith which Britain enjoys a favourable ade balance.

Statistics often hide the true dimen- ions of a problem but, accepting them at face value, for the sake of argument, there is every indication that Britain is headed for a deep ("fierce" in Prior's words) recession. Already there is talk of a plunge back into the days of the terrible thirties. Inflation, currently estimated at 17.4 per cent, is expected to touch 20 per cent before the year is out. In a country where wages have kept barely ahead of prices this could only lead to higher wage demands and more strikes as the government, bent on following fairly discredited monetarist policies, refuses to "print more money" to finance increased wages. Monetarist policies have, however, led to one fact of life — higher interest rates, currently around 17 per cent. Faced with higher interest rates and falling demand, industry, particularly small industry, which the Prime Minister had pledged to protect and nurture, often has no recourse but to close. With 1.5 million already unemployed (more than 6 per cent of the total work force) the figure is expected to reach 2 million, at a conservative estimate by the end of the year. The Tories had promised a regeneration of the economy and more jobs as a result of their tax cuts putting more money in people's pockets. The cold hard facts are that manufacturing investment is expected to drop by as much as 10 per cent by the year end. The growth rate of the economy as a whole is expected to touch minus 2 per cent.

British manufacture's share of the world market has declined from the 15 per cent in the halcyon days of the fifties to 7 per cent where it is said to have stabilised. Far more galling than the decline in the share of the international market is the fall in the home market. An anglicised swadeshi movement is currently being fostered under the leadership of British Leyland, the public sector manufacturer of various types of automobiles. BL's advertising campaign seeks to resurrect the bulldog spirit during the Battle of Britain, imploring an apparently apathetic population to Buy British and take advantage of the Best of British Bonus. One of the ads shows a housewife in the kitchen with a display of various equipment and implements and the import percentage of each. Thus, according to the ad, 99 per cent of dishwashers, 96 per cent of portable radios, 70 per cent of cutlery, 69 per cent of fridges/freezers, 66 per cent of the glassware, 61 per cent of toasters and wall clocks, 56 per cent of mixers with bowls, 45 per cent of the automatic clothes washers, 36 per cent of saucepans/frying pans, 33 per cent of kitchen knives and 21 per cent of the cookers used in Britain are imported. Outside stands a car with the information that 56 per cent of these are imported. The ad goes on to say the battle of Britain is being waged in British homes and that last year the volume of manufacturing exports grew only a tenth as fast as imports.

What it boils down to is a situation in which a major developed nation finds itself in a position of underdevelopment in which foreign tentacles are geting the better of the home grown variety. Development and decades of international supremacy have engendered a life style that cannot any longer be self-sustaining and must seek sustenance from outside. The Joneses can no longer keep up with the Schmidts. Not only that, they must buy from the Tanakas to remain in the same place they were 10 years ago. And, of course, the more they buy from the Tanakas, the less able they are to keep up with the Schmidts.

Unlike the underdeveloped countries which face the problems of rising expectations in a background of their inability to fulfil such desires, Britain, the first industrialised nation in the world, is confronted by expectations that have long been fulfilled as a result of industrial development and world supremacy, but are now militating against the consequences of decay and decline as the nation slips further into the quagmire of genteel poverty. Unemployment, for long considered a fact of life in underdeveloped societies is becoming a fact of life in Britain as well. The textile industry, backbone of the industrial revolution, has long sunk into oblivion. It is now the turn of the intermediate sector and, through that, the heavy industrial sector — chemicals, engineering, even steel. The chemical industry, for instance, which grew twice as fast as other industries in the 1970s, is expected to register a two per cent decline in its output this year. Engineering is bracing itself for a 25 per cent drop in sales. British Leyland, the doughty leader of the Battle of Britain, has fired its first salvo by announcing plans to shut down several of its plants and retrench 25,000 workers. As sales continue to stagnate, BL has also anounced plans to lay-off around 50,000 workers for several weeks. The strike-bound British

*This report was written before the Zimbabwe elections. — *Ed.*

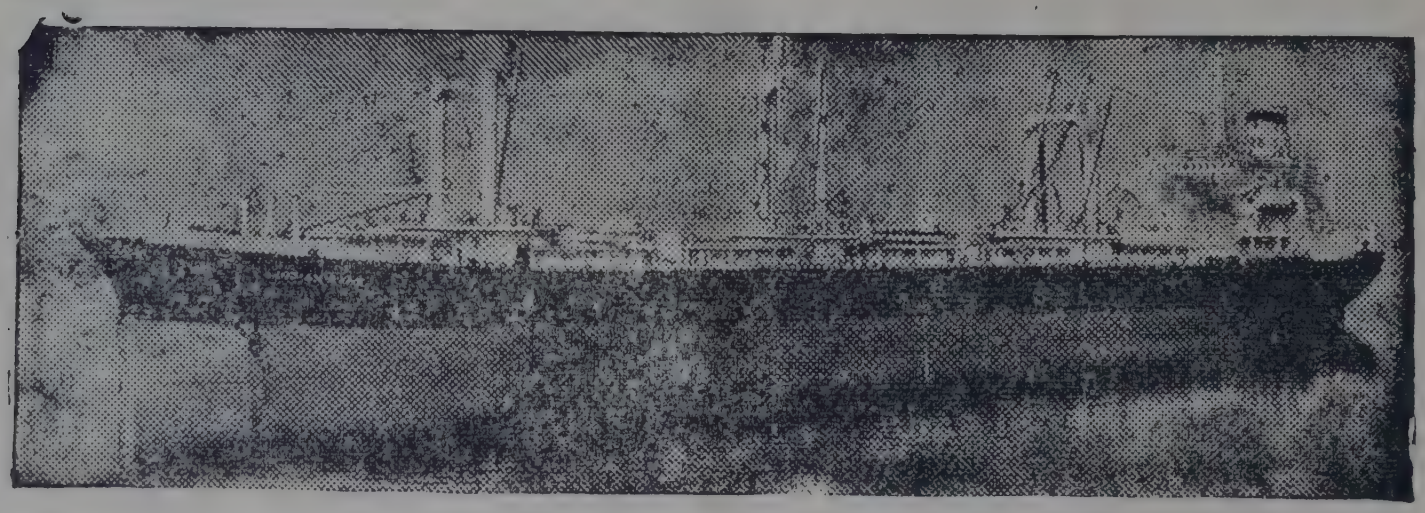
Steel Corporation already has plans to shed 50,000 jobs.

The irony lies in the fact that Britain, even now, possesses the technology to transform itself into a real post-industrial society in which a very small section of the population would be able to support a large unemployed section. But this is socially and politically unacceptable. To make matters worse, the Tories are engaged in cutting back employment in the one area which could and should be expanded — the services: transport, health, education and housing. As a further irony, even the monetarist policies of the Tories are floundering. Public sector borrowing expected to have been kept down at last year's level of £ 8,300 m is certain to exceed £ 9,000 m by the end of the year.

The obsession with ideas of free enterprise and myopic money supply theories also appears to be bringing things to a head in the Conservative party. The stage managed brotherhood and bonhomie displayed at Blackpool during the party's annual conference have evaporated. The media has, of late, been so preoccupied by the rift in the Labour party that it has tended to ignore growing signs of a split in Tory ranks and even in the cabinet.

To put things somewhat simplistically, the clash between the left and the right in the cabinet has now come out in the open. The Chancellor, Sir Geoffrey Howe, has shed his sheep's clothing and has emerged as a somewhat moth-eaten wolf and has turned on the hapless Prior who, as has already been said, is a sheep in wolf's clothing. Howe is now said to be the key-man in the Tory right wing, Sir Keith Joseph, the party theoretician, being only a front man. Sir Geoffery has been critical of Prior's inability to bring the working class to heel. The Employment Bill, he feels, does not go far enough and fast enough. Fac with the unavoidable existence of pu lic militancy against virtually eve major Tory decision to date, Sir Ge frey and his cohorts have been forc to take a back seat. Whitelaw us this to tone down his Immigration B and now his good friend, Prior doing the same with his Employme Bill, egged on by voices urging f utmost caution from the Confeder tion of British Industry.

Sir Geoffrey and Sir Keith, the Mu and Jeff of High Tory radicalism continue to stick by their guns with out firing a shot so far. Margare Thatcher's major failure has been he inability to mediate between the tw groups perhaps because she hersel favours the Howe-Joseph axis. Unde the circumstances, collective responsi bility in the cabinet has given way t a free for all with the backbencher angry and bewildered as they discove that the Iron Maiden has loose teeth



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A Case Concerning the People

G P D

E fifth plenary session of the
venth Central Committee of the
mmunist Party of China, which was
d in the last week of February in
jing, made one momentous decision.
settled the question of "rehabilita-
n of Comrade Liu Shaoqi". The
abilitation came with the official
nowledgement that a decade of the
e-famous but now notorious Great
oletarian Cultural Revolution (1966-
76) is finally pushed into oblivion
is action of the Central Committee
itself was neither unexpected nor
prising. With Deng's second return
the pinnacle of power, it was a
estion of time when Liu would be
abilitated. It is scarcely surprising
at the Central Committee has now
scovered that "Lin Biao, the Gang of
ur and company concocted false evi-
nce and deliberately subjected Com-
de Liu Shaoqi to political frame-up
d physical persecution, and they over-
rew a large number of leading party,
vernment and army cadres on the
lse charges of being Liu Shaoqi's
ents". Deng Xiaoping himself was
e of these leading party cadres. His
habilitation has to lead logically and
exorably towards the rehabilitation of
iu Shaoqi. This was inevitable.

But this was inevitable not quite in
e same sense as some people, notably
aac Deutscher, had thought about the
evitability of rehabilitation of several
olsheviks including Trotsky as a con-
quence of the de-Stalinisation of the
0th Congress fame. In the third
olume of his biography of Trotsky
"The Prophet Outcast") Deutscher had
uoted approvingly Trotsky's prediction
at the victorious working class will
vise all the trials, public and secret,
nd will erect monuments to the unfor-
nate victims of Stalinist villany and in-
amy on the squares of a liberated Soviet
ussia.

There is no doubt that many thought
at such rehabilitation was forthcom-
g. It seems that, as late as 1978,
e French and Italian Communist
arty circles were making some feeble
forts at the rehabilitation of Bukharin.
ut no such rehabilitation followed.
he reason for it is simply that 'de-
talinisation' *per se* did not mean —
ndeed, was not intended to mean — a
ew approach to history. It was merely
trick exercise aimed at denigrating
Stalin so that some glory could come Khruschev's way. That it did not is another matter. De-Stalinisation in the Soviet Union did not amount to taking a fresh look at the Soviet history of the 1930s. It was merely a gimmick of a revisionist leadership. It had no ideological significance except one of announcing Khruschev's revisionism and opportunism.

It is a different story with Liu Shaoqi's rehabilitation. For one thing, Mao was no Stalin. If such not-so-meaningful comparison need be made at all, one should perhaps see him more as China's Lenin. More importantly, in this case the rehabilitation is going to be more meaningful. In spite of all changes that have come in China, it cannot be argued, just yet anyway, that the new leadership has carried out a de-Maoisation which in turn has led to this rehabilitation. Here the sequence is, if anything, reversed. The question now is whether Liu Shaoqi's rehabilitation would lead to 'de-Maoisation' in China.

Nevertheless, it must be stated at the outset that Liu did not quite deserve the fate he had met. Author of "Nationalism and Internationalism", "On the Party" and "How to Be a Good Communist" among other writings, this veteran of the Chinese revolution had some talent for theoretical writings. More than a decade ago, we had argued in these columns that Liu's writing was still worthwhile reading in spite of the fate it had met. In any event, now, we can look forward to a new edition of a book which was referred to contemptuously during the cultural revolution days as a manual of self-cultivation.

Further, only a wilful distortion of history can deny the legitimate role of Liu Shaoqi in the making of China's revolution. For a good 14 years now, as far as the history of the Chinese revolution was concerned, Liu was a non-person. Some balance will hopefully be restored as a consequence of the recent decision. The communique of the plenum makes a pointed reference to the charges against him: "The plenary session adopted the resolution [of rehabilitating Liu Shaoqi] and decided to remove the lables 'renegade, traitor and scab' which the 12th plenary session of the eighth Central Committee imposed on Comrade Liu". The plenary session also cleared his name "as a great Marxist and proletarian revolutionary and one of the principal leaders of the party and the State", which, indeed, he was.

Justice of a kind has been done to Liu Shaoqi. Deng with his typically Chinese sense of history has been able to do it.

Mencius, a sage of ancient China, has said at one place:

> The way in which man losses his proper goodness of mind is like the way in which the trees are denuded by axes and bills. Hewn down day after day, can it — the mind — retain its beauty ?

Citing Mencius, Deng would with some justification argue that Liu lost his "proper goodness of mind" because of the axes and bills of the Red Guards. Liu is reported to have said in 1967, following his arrest, that "luckily, history is written by the people". One does not know that for certain. In any case, Deng seems to have rewritten it all right!

The significance of the rehabilitation of Liu Shaoqi lies not very much in the fact that his due place in the recent history of China has been restored, but rather in the assessment of the Cultural Revolution that follows from it. The fifth plenary session has thrown the Cultural Revolution out of the window. The communique states that "the situation of chaos resulting from the 10-year rampage" has now changed "to a situation of advance in a guided and orderly manner". The implication of this line is quite clear. The Cultural Revolution is no longer a respectable subject of discussion in China.

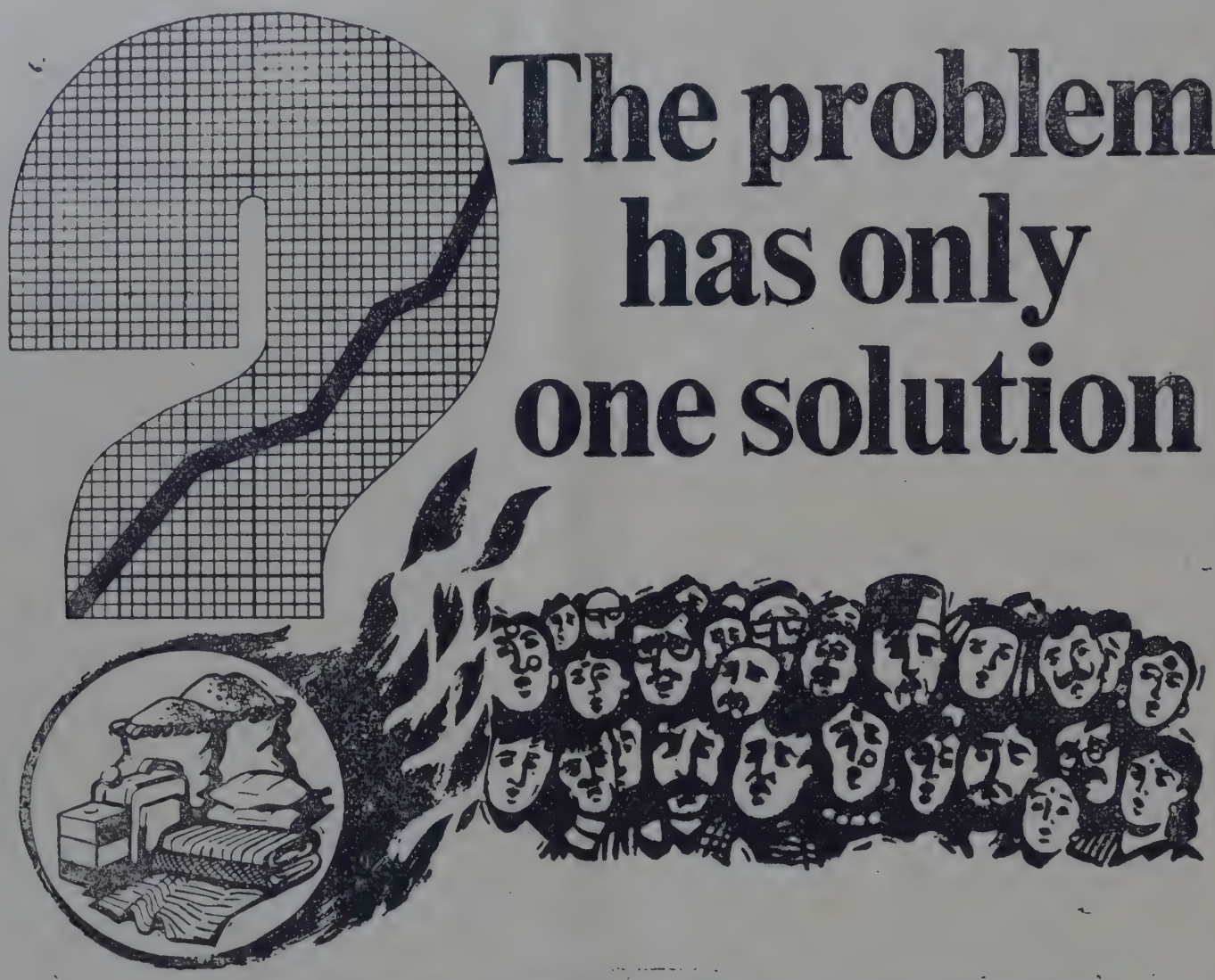
Mao Zedong retains his place of pre-eminence inasmuch as the communique talks repeatedly of Marxism-Leninism-Mao Zedong thought. But that's about all. The last 10 years of his life clearly stand in a manner of speaking censured. Mao Zedong before the CR, i.e, till 1966, is okay. But post-1966 Mao is evidently unacceptable. As if to underline the bad days in which Mao Zedong thought has fallen, the *People's Daily* editorial on the plenum (March 3) makes a clumsy reference to Mao's essay on contradictions among people. The editorial talks of "the policies put forward by Comrade Mao Zedong on handling *cases* involving people" (emphasis added). It is no longer handling contradictions but rather handling cases.

These signs point towards an un-

mistakable change. Related to it is the fact that four Central Committee members, Wang Dongxing, Ji Dengkui, Wu De, and Chen Xilian have been removed "from their leading party and State posts". These men, particularly Wang and Chen, have been identified with what could be described as the Maoist orientation in domestic and foreign affairs. They have lost their posts. This probably implies some loss of political standing for Hua Guofeng. But more importantly it signals that Deng Xiaoping at any rate is determined to make the break with Maoist policies as pronounced and as determined as is possible.

But then Deng has earned what he has got. The Cultural Revolutionaries insulted him. He is now making sure that it does not happen agai quote Mencius again :

It is said in the Book of Poe
Before the heavens were dar
rain,
I gathered the bark from the
of the mulberry trees,
And wove it closely to for
window and door of my nes
Now, I thought, ye people b
Perhaps ye will not dare to ins



Everyday the market gets more combustible. One's daily necessities soar in price. Most things are becoming out of reach. All this is part of our daily experience. Has this problem no solution ?

Isn't it possible for ten essential articles like foodgrains, sugar, oil, kerosene, cloth to be sold at fixed low prices throughout the country and be distributed through ration shops thus, bringing them within the orbit of the purchasing power of the common people ? We feel this can be done. The Central Government can initiate such a measure throughout the country. The State Government have no stock of foreign exchange to enable them to import goods from abroad nor can they obtain materials from the other States without the Centre's permission. It is therefore, the primary responsibility of the Centre to procure them, since the means of transportation and communication are entirely in their hands. The Central Government has to undertake the despatch of goods to the various States. After all this, it is up to the State Government to carry on as best as they can.

GOVERNMENT OF WEST BENGAL

ICA 609 A1/80

Technology and Social Change

K V Subrahmanyam

omo Faber: Technology and Culture in India, China and the West: 00-1972 by Claude Alphonso Alvares; Allied Publishers, Bombay. 79.

EN field studies by the Franz Boas ool in the US and the Radcliffe-wn and Malinowski Schools in the led to the unexpected discovery the so-called 'primitive cultures' e some of the most complex of an societies, about the same time Charles Elton founded the science Ecology with the coping stone of arch being provided by Daryll de's classic "Habitat, Economy and iety", it was realised that cultures entities, not processes, to be studied eco-systems, the constituent elements each of which are in meta-stable ilibrium. Of these elements, tech-ogy is the most important as repre-ting the means of production and tribution which affects equilibrium; l has the dominant influence in the nges affecting a culture from one io-economic state to another imper-otibly or in a quantum jump through fusion or catastrophe. The direction this change can be affected by deli-rate choice; but its scope, as Karl rx pointed out in his "18th Brumaire Louis Bonaparte", is constrained by er factors.

Rightly, therefore, has Claude Al-res asserted the necessity of "reject-g the Western pretence of Universa-m" and of providing pluralism to chno-cultural systems as the only ternative to the hegemonistic nature this universalism. But, to assert is e thing, and to find a means to im-ement it in practice is another. It is ere that one needs to understand the ature and significance of technology d the manner in which it can and oes vitalise culture in its totality. ow far has the author succeeded in is attempt?

Alvares follows an approach that ten allows his emotions to get the tter of his powers of scientific analysis imarily because of three reasons: stly, he chooses China for being uated with India and the West; condly, he intersperses his book with multiplicity of quotations of varying egrees of scholarship and credibility, irdly, he completely neglects the role f inanimate sources of energy, renew-ble and non-renewable, in techno-ultural systems that alone has the power of transforming man, the source of brute-power, to man, the decision-maker. These deficiencies prevent him from studying the Indian society of to-day, dominated as it is by a new class of professional politicians, their bureaucratic underlings and the new-rich elite, with that scientific detachment that Solly Zuckermann brought to bear on his study of the "Social Life of the Primates".

China is the only country of continental dimensions that acquired ethnic homogenity and cultural unity, once its land-frontiers were delineated with some measure of certitude — a subject that has been described in fascinating detail by Owen Lattimore in his "Inner Asiatic Frontiers of China". Western Europe acquired these two assets during the 'Dark Ages' before it emerged into the world of Renaissance, best described by Norman H Baynes — "Modern Europe is the sheer by-product of Byzanthine's will to survive". Even Islam provided this unity which was best witnessed when the Abbasids, the Ommayids and the Moors acted as the repositories, transmitters and originators of Hindu Mathematics, Greek Geometry, Jewish Alchemy and Moslem Astronomy so essential to sail the desert that has no land-marks.

India alone of all these acquired, for whatever reasons, neither ethnic homogeneity nor cultural unity. It was never even a political unit, and its present frontiers were delineated by the British from considerations of Imperial defence against old Chinese and the newly advancing Czarist and French Imperialisms. What was 'Indois' for the Greeks and 'Hindustan' for the Iranians was a country whose frontiers changed over the centuries like the shape of the amoeba, once including the best part of Afghanistan and, at another time excluding the Terai region of the 'Hindi Belt' which was part of the Kingdom of Nepal, the present-day NEFA which was claimed by Tibet, but was as independent as the tribal country around Ranchi and Jagdalpur, and the best part of Assam and its environs which was part of the kingdom of Ava of northern Burma. Before the British acquired political control over it India was like Africa before Partition among the European powers; and the only unifying feature where the Indo-Aryan social influence affected any part of it was the hierarchical caste system.

Under the circumstances, the history of technology in the sub-continent cannot be viewed in the same way as in China, Europe or even the Arab world. The cultural environment in which science and technology can thrive has to have a unifying ethos, be it a fertility cult, a totemic symbol, a common taboo or an agreed-upon and easily-enforcible code of conduct. In China this was provided by ancestor-worship on which were superimposed Buddhism and Confucianism vitalised by the realism of Mencius. In Western Europe, Gregory the Great swept away, or absorbed to the extent tolerable, all that was pre-Christian inheritance of the Pagans to lay the foundations of a new Europe's cultural unity. In India, every belief, even no belief, was allowed to exist so long as the individual knew his place in the caste hierarchy — as was the case in pre-Christian Roman empire so long as the individual offered homage to the deified Emperors. It is this cultural unity sustained through centuries of travail by Western Europe that has enabled its reunification as the United States of Europe today just as it has enabled China, despite its gruelling experiences of the long years from the Opium Wars to the Japanese attempts at reducing it into colony, to survive and emerge a People's Republic.

In India, the caste system gave Hindu society survival value, but only because it had petrified like vertebrate fossils having lost all qualities of the living — growth, change and reproduction. The multiplicity of cultures of which India was composed differed greatly from one another; and such descriptions as 'superior' and 'inferior' or 'primitive' and 'advanced' are meaningless except to the extent that they are more or less humane. Alvares develops this truism very well, but just falls short of arriving at its logical corollary — that technology, like the 'Jungle' of Spencer Chapman, is neutral; that it has the potential for alleviating pain or ritualising cruelty. However, Alvares' study is remarkable for its emphasis on the ethical element in the study of cultures while analysing the implications of the technological determinant, and the forthrightness with which he exposes the innate hypocrisy of those who have been the

Indian legatees of the fleshpots of British imperial grandeur. Its main weakness is that in trying to cover a very wide spectrum, Alvares chooses just the wrong ones as his guides — an article in *Science Today* for extolling the supposed virtues of the mini-cement plants.

Similar is the error the author commits when he poses to himself such questions as: Why did the Greeks who knew the principle of the reaction turbine using steam not harness it to industry? Why did the Chinese who knew the art of printing and the movable type, the manufacture of paper, the properties of the lodestone and the composition and use of gun powder not go through the so-called 'Industrial Revolution'? The responsibility for propagating this error must be laid at the doors of De Launy and Arnold Toynbee and Paul Manteaux who gave it respectability. As regards the proliferation of inventions in the textile industries, these were made by the Chinese much earlier including the application of water-power to drive the spindles and looms. Gun powder assumed special importance in Europe when the rival monarchs found in it a more effective propellent than the catapult and the cross-bow for their 'wars of religion'. The lodestone was of use only when the skies were overcast preventing navigation by guidance of the planets and the stars. The only significant invention of the so-called Industrial Revolution was the harnessing of steam power to the dewatering of mines and then, after the invention of the connecting rod and crosshead mechanism to convert reciprocating to rotary motion, to the driving of pulleys, line-shafting and, finally, the locomotive thus ushering in the railway age. It was this that had a revolutionary effect by creating an insatiable demand for iron and steel in large quantities and of extremely uniform qualities which was technologically impossible to meet in backyard furnaces and crucibles; and that set the limits to the capabilities of the craftsman-inventor with his thumb-rules and empirical formulae. The need from then onwards was for a new genre, the scientist-technologist; and it paved the way for the technological revolution.

Nepoleon's Empire collapsed at Waterloo. But the revolutionary influence of the Ecole Polytechnique spread over the entire Europe and just touched Scotland on its way across the Atlantic to the US; and, it needed almost a century before England could even emulate it when, as a result of the efforts of Thomas H Huxley, the City and Guilds Institute and the Royal School of Mines were raised to university affiliates. Viewed in perspective, one cannot but conclude in the light of modern evidence, that the Industrial Revolution had only a transient effect on British industry; and was certainly not revolutionary. Its main contribution was to raise the social status of the craftsman-inventor and to degrade that of the worker, the worst victims of which were the coal miners, so much so Mark Benny could describe their condition in 1945 i following passage:

Here encamped on a vast ra coal... was a tribe of Englis so distinctive in their way o that, had they been situated remote island in the South Seas, would have been the subject dozen ethnographic monographs shaft had been sunk to the seams wherever economic advar suggested: and, around the shaf miners and their families lived — isolated, work-centred, hate-ri community. On those moors an those valleys in an often l country-side, were congealed all grotesque horrors of 19th cen

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industrialism — dwellings regimented in hideous row upon row, vile smoke belching from stacks placed without regard for eye or lung, a railway siding at the foot of a spoil-heap where the clangour of freight cars sounded day and night.

)ne has only to contrast this with the ttle mining village of Heerlen not far outh of Eindhoven in the same year o realise that, until one was told so, ne could not even know that it was centre of coal mining or to disnguish a coal miner from others exept in the pit-enclosure.

Herein lies the difference between he Industrial Revolution of the UK nd the Technological Revolution of Europe and the US. The former was he result of a fortuitous combination f circumstances of history and georaphy; and, it could not last long ecause it did not have the vigour and itality that scientific 'elan' could proide. In less than a century, by the ime of the Crystal Palace Exhibition f Olympia, it had begun to lose its rimacy as the Workshop of the World o Europe and the US.

The Chinese paradigm has been est described by Kurt Mendelssohn, he distinguished physicist and Sinologist:

> The problems facing China are, indeed, unique. A population approaching a thousand million which until recently was largely illiterate, is faced with a common but comparatively difficult script of ideograms, and beset by a multitude of tonal languages. Any attempt to create out of this a society that is competitive in the 20th century has had to concentrate on mass education at the lowest primary school level, and to think out its policy carefully. Next to the primary task of teaching in a common language for which a modernised from of Mandarin was chosen, basic science has become the back-bone of education. The approach to this, however, is quite different from the Western pattern. It all starts from a strictly practical angle with the theoretical explanation to follow later, and then only as far as is necessary for the task on hand. Agricultural classes are held in the rice field where training in the selection of the seed grain slowly merges into plant genetics. Operation and servicing of tractors and electric motors come first with basic thermodynamics and electromagnetic theory left to a later stage. This makes a combination of school and production a necessity rather than an ideological objective; and, it is from this angle that we should judge the close connection of all primary schools with factories. The final result of this immense scheme will be a vast population to whom the basic logic of scientific reasoning will not be a set teaching subject, but second nature.

In the case of India, even the cultural nexus for it to develop its own paradigm was wanting; worse still, was a singular lack of realisation on the part of its political leaders that it was so. Stalin was least worried about what the world thought of the USSR while he was building his Socialism in one country; so was Mao. Both were clear about their strategy for national reconstruction, and were willing to adapt the tactics to suit the changing circumstances. But the Indian leaders were clear about only two things — that India should be the Leader of Asia, and a World Power; otherwise, they were as unclear about what the socio-ecomic complexion of Independent India was to be as those who mutinied in 1857. Gandhian economics became synonymous with the trusteeship principle; Nehru's socialist pattern of society became even more vague than the vague cyrenaicism of his youth. This was the ideal setting for the emergence of the professional politician, the labour baron, the trade-union mafia, the minority leader, the astro-tantric revivalist, and the chaprassi-oriented career-bureaucrat, none of them concerned with the grim realities of the Indian situation.

The author of the book under review has shown himself eminently equipped to handle this subject by possessing the two qualities indispensible for the purpose — a highly developed ethical sensitivity and the moral courage to expose the cant and hypocrisy of persons however highly placed. It is hoped that its main weaknesses will be made good in a new, thoroughly revised, edition so that it can make a landmark in the field of social studies by Indian authors, a field which, for long, has been the happy hunting ground of charlatans and revivalists masquerading as intellectuals.

Unpretentious Sign-Post

P B Mayer

Politics of a Small Town by Khadija Ansari Gupta; Impex India, New Delhi; pp 179; Rs 30/$ 5.00.

THE intellectual *cul-de-sac* into which studies of Indian politics have been led by those who have followed too faithfully the ruling paradigms of the American and British academic Establishments is by now evident to all but the least critical observers. What is often less clear, though, is the direction revisionist studies ought to take. A host of attempts, for example, to transplant the 'decisional model' from New Haven to the study of Indian urban politics have served in large measure to illustrate how inappropriate the method is for that purpose. But where future work ought to be directed is still largely unresolved. It is one of the merits of Khadija Gupta's unpretentious study of a small town in Aligarh district that, while making due reference to the orthodox conceptualisations of Western sociology, she does not take them too seriously. In doing so she has, in a modest and rather untheoretical way, taken a step in a more satisfactory direction.

The "Ranipur" which she describes is a town whose 7,000 odd inhabitants are clustered around a central market in the familiar north Indian pattern of caste-dominated *mohallas*. Economically, the town serves as a market centre for the surrounding district, and as a supplier of credit to argiculture. Equally important is its light industrial sector, concentrated in the manufacture of glass.

At one level, we are offered a study of local political factions which, adopting a planetary imagery, are seen to revolve around the inevitable, 'solar' enmities and ambitions of a handful of leaders and their attendant followers, a study couched in the language of Nicholas and Brass. At a second level, though, these political conflicts are set in the context of the political economy of Ranipur, and it is this which constitutes the main strength of Gupta's study.

Central to her discussion is the concentrated ownership of land, credit and industry in the hands of a few Brahmin and Baniya families and the crucial importance of their dominance of employment and lending in explaining their political power; in "Ranipur" the ties which link patrons and clients are those of credit and wages. In addition to a class structure described locally as consisting of *badelog-dukandar-naukri-pesha aur mazdoorlog* (rich people-shopkeepers-employees and labourers), Gupta urges that the social matrix in Ranipur must also be seen in terms of those who are or are not natives of Ranipur and in terms of religion and caste. Another merit of Gupta's study

is her tracing of the evolution of the structure of class and caste which characterise contemporary "Ranipur" from the pre-British period, through the indigo boom and its subsequent decline and the town's revival in the 1930s and 40s as a centre for glass manufacture.

Despite its merits as an empirical account, "Politics of a Small Town" is much less satisfactory at the theoretical level. Too many issues of importance are merely described in passing with nothing in the analysis to indicate that their significance has been understood, and too many other phenomena are considered too superficially for one to be other than dissatisfied with the bland and sometimes shallow interpretations which are put on them. At the root of this disquiet lies the inadequacy with which the author has dealt with her most important finding, the economic basis of much of political life in "Ranipur". For instance, though I have used the terms 'class' and the 'evolution of classes' to describe the economic division of society in "Ranipur", the concepts themselves are not to be found in Gupta's account. And this inevitably means that questions of central theoretical importance in the study of Indian political economy, questions on which her material has direct bearing are neither raised nor grasped.

Let me illustrate my meaning by referring very briefly to two significant debates, that to do with the 'mode of production in Indian agriculture' and that to do with the relationship between caste and class in Indian politics. With regard to the first of these there is clear evidence in the study that the East India Company forcibly destroyed the pre-colonial mode of production in the first decade of the nineteenth century and imposed an unmistakably capitalist and industrial form of agriculture on the district. And this is relevant to "Ranipur" as well, for it is the landowners who emerged under colonial capitalism who came to dominate urban politics in the period before Independence.

With regard to the second debate, Gupta describes a struggle for power which occurred in 1971 between two factions, 'structurally diverse' in their bases of recruitment, one identified as the 'Bhargava' (Brahmin) faction and the other as the 'Jain' (Vaish) faction. But what *is* the underlying basis of these factional struggles? Are they manifestations of personal enmities, caste rivalries or what? Those who seek to explain them in terms of competing fractions of capital will find evidence for the position in the brief, almost incidental, observation that "The victory of the Jains represented the triumph of the 'industrialists' over the 'landed gentry'" (p 133); Gupta herself says nothing regarding the broader significance of that victory.

One of the signs of good research is the extent to which it invites, even demands reinterpretation. If dissatisfactions such as those on which I have touched here lead others to extend and deepen the analysis by using more powerful theoretical tools, then "Politics of a Small Town" may well prove to be one of the sign-posts pointing the way to a more satisfactory study of Indian politics.

Exploding Cities

Ashish Bose

Million Cities of India edited by R P Misra; Vikas Publishing House, Delhi; pp 405; Rs 80.

ACCORDING to the 1971 Census of India, there were nine cities with populations of over one million, namely, Calcutta, Bombay, Delhi, Madras, Hyderabad, Ahmedabad, Bangalore, Kanpur and Pune. According to the projections of population of individual cities done by the Town and Country Planning Organisation of the Government of India, by 1981 Nagpur will become a "million" city; by 1991, Lucknow and Jaipur will join their ranks; and by 2001, four more cities, namely, Madurai, Agra, Varanasi and Indore will claim population of over one million. Thus by 2001, India will have at least 16 "million" cities claiming a combined population of roughly 52 million. This should indicate the enormity of the problems we are likely to face in the decades to come.

R P Misra deserves congratulations for commissioning a number of experts to write on individual "million" cities. Misra has contributed three chapters on the role of million cities in the context of the general process of urbanisation. Misra, to quote his own words, paints a "grim picture of urban India" and concludes somewhat philosophically: "The answer to urban dilemma of India lies in indigenous theory, indigenous design and indigenous planning. Our problems are peculiar; we may have to have peculiar solutions — the solutions which are difficult to find within the framework of Western concepts of urban development."

T B Lahiri, writing on "Calcutta: A Million City with a Million Problems" sounds rather helpless while dishing out figures on the development of Calcutta. He pleads for steps to "reinvigorate the decaying metropolis whose socio-economic nerve centre role should be maintained and promoted in the best interests of its huge hinterland".

A B Arunachalam is more articulate about Bombay and concludes that "spreading all around without relieving the unbearable pressure on its own centre, creating new suburbs endlessly and stampeding the rural fringe unscrupulously, Bombay metropolis is a perfect expression of Indian urbanism running riot!"

K V Sundaram's piece on Delhi is one of the best chapters in the book. He examines critically the Delhi Master Plan and the National Capital Regional Plan. Another important contribution is by P D Mahadev on Bangalore who concludes on a cheerful note: "Bangalore probably is one of the most humane and liveable cities of India."

C D Deshpande gives just the right type of data to understand the transformation of basically administrative cities like Pune into industrial cities. He observes a gradual weakening of the dominance of Pune as an educational and intellectual centre of Maharashtra. To quote him, "From the Capital of Peshwas and through the administrative headquaters of the British and the cultural centre of Maharashtra, Pune is now becoming an industrial centre with weakening tertiary activities".

In the concluding chapter "Towards a Perspective Urbanisation Policy", Misra pleads for a policy ultimately aiming at "urbanisation of India wherein the larger and smaller human settlements put together can generate a human geographic balance in varied ecological setting". But he laments that "among the several problems that the ecological approach to a national policy is likely to encounter is the inability of the present-day decision makers and administrators to perceive things beyond the present..."

A short statistical appendix and a select bibliography add to the usefulness of the book.

Zulfikar Ali Bhutto and 'Eradication of Feudalism' in Pakistan

Ronald J Herring

It is possible to identify social formations and relations in Pakistan's agrarian sector historically which fall near the 'feudal' end of a spectrum of agrarian societies. Such formations and relations have presented persistent problems to ruling elites seeking the consolidation of a modern bourgeois economy and centralised State. Land reforms and other measures in the Bhutto period did not seek to eradicate the 'feudals', as in a classic bourgeois revolution, nor abdicate power to them, as in 'indirect rule' or some forms of patron-client political systems, but rather sought selective accommodation and transformation to facilitate concentration of political power and rationalisation of the agricultural economy. The significant limitations apparent in the attack on feudalism must be understood in terms of the strategic and tactical imperatives operative during the period of Bhutto's rule.

EARLY in his tenure in office, Zulfikar Ali Bhutto announced that his agrarian reforms would affect the lives of the common people of Pakistan more than any other measure contemplated by his avowedly socialist and populist regime. Almost seven years later, the martial law regime of Zia-ul Haq issued a White Paper on the performance of Bhutto's government charging that the land reforms were in practice yet another example of that government's cynical posturing, favouritism and victimisation, corruption and abuse of power. The irony is that a centre-piece of Bhutto's programme for the 'salvation' of Pakistan should appear in a White Paper which attempted to add legitimacy to the execution of the popular ex-Prime Minister. A further irony is that Bhutto himself came from a background which could only be called 'feudal' in the terms of Pakistani political discourse, and surrounded himself politically with scions of similar families. What then, was meant by Bhutto's pledge to eradicate feudalism *via* land reform and what are we to make of it?

The potency attributed to agrarian reform by Bhutto in rhetoric was extraordinary. The reforms were to restore 'dignity' and 'self-respect' to oppressed rural masses and provide for their 'salvation', to crush the power of an 'opulent feudal class', and to facilitate the modernisation of agriculture, the core of the national economy. The argument that land reforms could conceivably bring changes of such profound historical consequence warrants analytical attention. Through what mechanisms were the reforms to accomplish these prodigious tasks? More importantly, into what was the feudal agrarian system to be transformed?

From its inception, as laid down in the Programmatic Principles adopted in 1967 (Article 6), Bhutto's Pakistan People's Party (PPP) claimed to stand for "the elimination of feudalism". Feudalism was seen as being installed in vast areas of West Pakistan, and the "feudal lords" were held to "constitute a formidable obstacle to progress". The breaking up of the feudal estates was portrayed as a "national necessity" in the 1970 PPP election manifesto. The feudal lords, "not only by virtue of their wealth, but on account of their hold over their tenants and the neighbouring peasantry,... wield considerable power and are, even at present, a major political force".[1] The specific mechanism mentioned in the manifesto for the attack on feudalism was a ceiling on agricultural holdings, followed by redistribution of the surplus land appropriated to tenants and poor peasants.

It is, however, a long way from a declaration of party principles and an election manifesto to structural alterations of an agrarian system. The first task is to explicate the policy logic — that is, analyse the mechanisms by which a land ceiling might root out feudalism — with a brief detour to consider the problematic meaning of 'feudalism' in the context of Pakistan. The next question is empirical; how did reality on the ground correspond to the policy logic and political rhetoric? If an anti-feudal land reform is potentially so powerful a weapon in the bourgeois revolution, why is it wielded so meekly?

Feudalism in Pakistan

The use of the term 'feudalism' outside the context of European history evokes heated controversy. Does it make sense to speak of feudalism in China, India or Nigeria? A good many scholars think not.[2] It is not the purpose of this article to enter into that controversy, but obviously there is a distinction between the feudal of public rhetoric and the feudal of analytical discourse.[3] Confusion over terminology has been exacerbated by two trends in post-colonial South Asia. First, 'feudal' has come to be a pejorative term used by planners and politicians for any traditional rural situation which is to be altered — in 'modern' and 'rational' directions. Secondly, simplistic application of Marxist terminology in the social sciences has unnecessarily muddied the waters: if rural society is not capitalist, it must be feudal. Thus 'feudal', to politicians, planners and scholars, often means nothing more than sharecropping or traditional landlord-tenant relations.

Marx himself was uncharacteristically imprecise in discussing feudalism. Marx stressed "personal dependence, personal unfreedom in whatever form the attachment of men as an adjunct to the land" and the absence of free labour power as a commodity.[4] He contrasted the rule of capital as being distinguished by the impersonalisation of production relations (and thus the compartmentalisation of productive life).[5] Marxist scholars have often stressed the element of coercion in appropriation in a feudal system, and the extra-market character of domination. Labour-rent or corvee as opposed to cash/kind rent or wage labour as a dominant mode of surplus extraction has also been emphasised.[6] Land, like

labour, was not predominantly in commodity form; property claims in land were fundamentally contingent, not absolute.

Non-Marxist scholars of feudalism are less concerned with the social organisation of production, property forms and mode of surplus extraction, but focus instead on the phenomenon of an intimate fusion of economy and polity, the personalisation and privatisation of authority, and the limited distribution of military technology.[7] Feudalism outside the Marxist tradition is conceptualised primarily as a system of government, characterised by personal ties and a limited sharing of power among military chieftains to whom subordinates pledge allegiance in return for protection.

Rather than quibble over which of the characteristics of European feudalism were dominant, which necessary and which sufficient, it seems more fruitful to consider those social formations in Pakistan which exhibit similarities to classical feudalism, in order to suggest the problems that face a regime which seeks to eradicate or transform those formations. Perhaps the most obvious candidate for classical feudalism in Pakistan is the system of land tenures known as jagirdari. In the words of Baden Powell, a jagir was a grant of land in the "remoter and less-easily held districts to military chiefs who were permitted to realise the revenues, on condition of keeping order and supporting a body of troops for State service when required".[8] These revenuefree grants were utilised by both pre-colonial and colonial states. The jagirs qualify as feudal in a limited formal sense because military services were owed by overlords and the writ of the state did not extend to the subjects of the overlord, whose power and authority were simultaneously political and economic and in theory absolute.

But such relations were not limited to jagirs. Ordinary overlordship differed from jagirdari mainly in the revenue and military obligations of landed chiefs to the State. Baden Powell described the rights of ordinary overlords (zamindars, etc) as "not so much ... any personal rights to the soil, in the European sense of 'proprietorship', but ... an idea of authority and right of service over persons, which involved the payment of a produce offering".[9] Unlike the landlord-tenant contract of market societies in which rent is specified precisely in cash or kind, the overlord could demand labour without compensation (*begar*) for unspecified periods and purposes from his subordinate cultivators.

It does no violence to the notion of feudalims to term the conditions of 'overlordship' as described by Baden Powell as feudal in a dual sense: the relations between overlords and the State and between lords and subordinates. It is then possible to sketch an ideal type of feudal overlordship as it existed on the subcontinent. Political authority is personal and decentralised; personal loyalty of commoners to a chief is ideally deep and multifaceted (and typically includes availability for collective violence). Chiefs control patterns and terms of access to the means of production and distribution of surplus. The writ of the State, though conditionally recognised by chiefs through such mechanisms as tribute or taxes, does not apply to the affairs of subordinate classes. Authority is monopolised by a relatively small class of high-born individuals; political rights are sharply differentiated by class. The relations of any particular commoner (social, economic, juridical) are to one chief; the domains of equivalent chiefs are exclusive and structurally isomorphic. Relations between chiefs and subordinates are not guaranteed or mediated by the State. Indeed, the State is basically irrelevant; little would change in its absence, though attempts by the State to penetrate feudal society or extract surplus produce sharp conflicts.

Such configurations, shading from the genuinely feudal to the less autonomous variations of 'indirect rule', were neither temporally static nor geographically uniform. Baden Powell observed during colonial times "the usual transformation, however gradual, from a local overlordship to an actual landlord claim".[10] The transformation coincided with the penetration of the State, British or Pakistani, into local affairs and more remote areas, varying significantly over time and space. The penetration of the market was likewise critical particularly in conjunction with the State; proprietorship becomes increasingly important as land acquires value as a commodity — one cannot, for example, mortgage diffuse feudal claims to obtain loans from banks. Such penetration was of course uneven. Colonial 'indirect rule' inevitably left local elites in charge of local affairs, but in some areas the State completely abdicated responsibility for administration, leaving the field to local chiefs and lords. In Pakista these areas were primarily in Bal chistan and regions contiguous to t Punjab to the North and West. T Sardari (tribal chief) system of Bal chistan (as among the Marri Baluc described in Pehrson) and the agraria system of Swat, Dir, and parts of t NWFP (Sarhad) as described by Bart are examples of agrarian systems nea the feudal end of the spectrum i contemporary Pakistan.[11]

In the rest of Pakistan, certainly i the sub-montane Punjab and the cana colonies, the agrarian configuration can hardly be said to have constitute feudalism, but the social, political, an economic relations between landord and the peasantry have often been o a feudal type: the power of the land lord locally was frequently de facto paramount, his system of authorit both arbitrary and pervasive, his exac tions diffuse and acontractual, his de mands for loyalty personalistic and absolute. These characteristics are common in many agrarian patron-client networks and do not carry in Pakistan force of law. But the fusion of polity and economy, State and society, is rea at the local level; the law is quite secondary. Mechanisms of landlord social control typically extend beyond purely economic resources, often to illegal violence and intimidation, and indeed may include instruments of the State (local police, courts, and revenue officers, government loans, etc).[12]

The strictly legal foundations of feudalism in all but the tribal areas of the North and West disappeared with the founding and consolidation of Pakistan. Jagirs were formally abolished in 1959, as was the institution of labour rent or corvee (*begar*). Citizenship establishes formal political and legal equality. But this is not to say that relations between landed elites and subordinate populations have not manifested, and do not continue to manifest, characteristics of a more feudal society than that proclaimed in law. In contemporary Pakistan, it is not unreasonable to term these social relations feudal while reserving the term feudalism for the Northern and Western borderlands where, as the British acknowledged and Bhutto complained, the writ of the Government did not run. That both feudal relations and isolated feudal social formations may persist in a transitional capitalist society presents no theoretical problems but has persistently raised political and economic problems for successive regimes in Pakistan.

Land Ceilings

The connection between enforcement of a ceiling on land ownership and an attack on feudalism (by any definition) is problematic. A ceiling affects landowners selectively according to size of holding. But feudalism as a system of social relations is unlikely to be greatly delimited by a criterion so narrow as size of farm, particularly in a modernising agrarian sector. Thus, wherever the ceiling is set, it may pass over a number of feudal landlords with small holdings while simultaneously disturbing a number of large entrepreneurial farmers, a class explicitly favoured by successive Pakistani regimes, including Bhutto's.

The use of the ceiling reform as the centrepiece in the attack on feudalism is therefore curious, but quite consistent with historical precedents. Despite Bhutto's rhetoric of revolutionary change, the analysis and policy logic of his reforms essentially replicate earlier experience. In official parlance and political rhetoric in Pakistan, "feudalism" has meant the existence of functionally-irrelevant, non-progressive landlordism; the rhetorical attack on feudalism in this sense is as old as Pakistan. The *First Five Year Plan* described landlordism as an "historical accident" in which most landlords acquired their properties "by dubious means" or had them conferred by British rulers for loyal assistance given in establishing and consolidating their hold on this country".[13] Like the zamindars of India, the great landlords were excoriated in planning documents as "feudal": Anti-national, parasitic, and an obstacle to progress.[14]

But planning documents in Pakistan were careful to distinguish, as had British colonial policy thinking, between parasitic feudal landlords and progressive agricultural capitalists, the latter deserving encouragement and support rather than eradication.[15] Bhutto's policy logic followed exactly the same lines. Indeed, his 1972 ceiling was about the same as that suggested in the *First Five Year Plan* and for almost exactly the same reasons: the ceiling had to be set low enough to break up the massive estates of feudal lords (and provide for redistribution of land — an important symbolic objective), but could not be set so low as to discourage agricultural entrepreneurs.

This continuity in policy logic is illustrated clearly by Ayub Khan's 1959 ceiling reforms. Ayub's Land Commission argued that although the ceiling (500-1000 acres with numerous exemptions and loop-holes) "will appear large" when "looked at from the point of view of social justice alone", a relatively high ceiling was held to be necessary to "provide incentives" and "conduce to greater production".[16] Moreover, Ayub's Commission felt that a very low ceiling would frustrate the modernisation of agriculture :

> We are also anxious that farming as a profession should remain sufficiently lucrative to attract and engage suitable talent on a wholetime basis. It should provide to those engaged in it a standard of living which will compare favourably with that obtainable in other professions. Above all it should offer opportunities for enterprise and leadership which, through precept and example, will be capable of influencing rural life and which will provide a point of contact between rural conservatism and ignorance and modern ideas and technology.[17]

In explaining his ceiling reforms to industrialists in Karachi, Bhutto struck exactly the same note. The ceiling was necessary to break up concentrations of wealth and redistribute some land, but "at the same time, we have tried to preserve the incentives for the continuation of agriculture as an attractive and profitable vocation for the enterprising and the enlightened farmers".[18]

The conceptualisation in both periods was remarkably similar to the British colonial ideal of a modernising gentry serving as a progressive vanguard for the backward peasantry. The reference group is the top of the rural social stratification system, individuals whose style of life, tastes and needs preclude occupations in agriculture without substantial rewards considerably greater than those available to the average cultivator.

A relatively high land ceiling was considered a necessary, but far from sufficient, condition for the growth of a progressive capitalist farmer class. The more powerful incentives to capitalist framers were subsidies to agricultural capital.[19] But Bhutto argued that the ceiling itself provided an incentive: in order to maintain his standard of living, the landlord who loses land must intensify and modernise operations.[20] In policy logic, the ceiling may be seen as a nudge to reluctant traditional landowners toward rationalising and modernising production.

In economic terms, "feudalism" has connoted absentee (whether geographically or functionally) landlordism of a parasitic and non-progressive sort; the large rentier qualifies as feudal, in explicit contrast to the modern progressive agrarian captialist. Beyond purely economic dimensions, Bhutto spoke of the system in terms of "oppression", "servitude", and "the overriding authority of the Tribal Sardars, the Waderas and Maliks".[21] The PPP founding principles and manifesto were quite open about the necessity of breaking the *political* power of the great landlords. Themes of social oppression and loss of dignity imposed on the tenantry (particularly the *haris)* run throughout Bhutto's public pronouncements on land reform.[22]

But how would a land ceiling reform eliminate the extra-economic dimensions of feudalism? In an agrarian society, control of a great deal of land means control, in varying degrees, of many people. And given local monopolies or oligopolies of land ownership and a heavy pressure of people on the land, control of land means pervasive and extensive control of people. Thus, the material base of feudal control of people, whatever its superstructural manifestations, is control of the primary means of production — the land — and related employment opportunities, working capital (credit, water, etc), and channels of influence in the external world.[23]

If this analysis is accurate, an attack on feudalism implies severing the connection between control of land and control of people. The most obvious policy would be a land-to-the-tiller reform in which tenants are made owners of the land they till, abolishing landlordism with a stroke.[24] With complementary reforms in the supply of working capital, marketing services, local administration, etc, such reforms would arguably stand a good chance of eradicating feudal social and political relations. A less direct method would be to impose an extremely low ceiling, somewhere near the average size of holding (about 13 acres in Pakistan). Such a low ceiling would allow, in theory, a continuation of feudal economic relations on a petty scale (parasitic rentiers), but no single feudal owner could exercise social and political control over more than two or three tenant families.

However, neither a land-to-the-tiller reform nor a radical land redistribution has ever been a serious possibility in Pakistan. Even if Bhutto's

PPP had not in part been composed of powerful landlords,[25] the political capacity to carry out so fundamental a reorganisation of the agrarian sector was problematic in the Bhutto period. Bhutto himself argued, as had Ayub Khan before him, that a truly radical land reform would be politically impossible:

> I can't nationalise the land. It's not possible. Tomorrow, if someone wants to do it, let him try. At the same time, I can't allow bigger estates to remain. I must cut them down so that production increases and the feudal power is eliminated. The world doesn't come to an end with one reform. If that reform is proper and successful, on that you can build other reforms. But no one can sweep the boards clean in one go.[26]

The Opening Round

In introducing his land reforms in 1972, Bhutto termed Ayub Khan's 1959 reforms "a subterfuge", designed "to fool the people in the name of reform" with "all manners of concession" to "buttress and pamper the landed aristocracy and fatten the favoured few". Bhutto's own reforms promised to effect "the eradication of the curse of feudalism and man's unjust overlordship of the good earth". The concessions made to landed elites in earlier reforms had left concentrations of land ownership which "stunted the growth of a just and harmonious social order"; moreover, "millions of those who produce the wealth of the nation struggle helplessly at a miserable level of eistence".[27] Given this analysis, one would expect a dramatic policy response. Bhutto's reform (Martial Law Regulation 115) reduced the ceiling by about two-thirds, with no compensation to former owners, though the concentrations of land wealth allowed by law were substantial relative to the situation of the majority.[28] The ceiling remained high relative to average holdings: whereas 89 per cent of all operated holdings constituted less than 25 acres in 1972, the ceiling varied nominally between 150 and 300 acres, with a much higher de facto ceiling.[29]

The unwillingness to impose a ceiling closer to the average size of holding (about 13 acres) certainly reflects the political composition of the regime; but it also represents an important continuity in the policy model of gentleman farmer capitalists as the vanguard of agricultural modernisation.[30] Bhutto explained that of the several factors which went into setting the ceiling, the "prime one" was that "agriculture should continue to be an attractive and profitable vocation".

> The size of holding should permit maximum benefit of investment to enable productivity to increase. Enterprising and enlightened farmers should continue to live on the land and give agriculture the sense of purpose it deserves. For these compelling reasons, we are following exactly the same principle for the enlightened entrepreneur. We are as much against the ignorant and tyrannical landlord as we are against the robber barons of industry. We are as much for the creative and humane landowner as we are for a productive and conscientious owner of industry.[31]

The policy logic was clear: social justice allows concentrations of wealth in land, just as in industry, provided that the owners are "humane", "enlightened", and "enterprising". The normative structure, the legitimation of the reform, incorporates the core of the classic ideological assault on feudalism. A very low ceiling, the policy logic goes, would not be conducive to agricultural progress because it would not attract modern entrepreneurs; the maximum farm size must allow a standard of living comparable to that afforded by alternatives available to representatives of the stratum which produces entrepreneurs, a stratum accustomed to high levels of income and privilege. The symbol of the modern dynamic landlord is the tractor, and indeed the 1972 ceiling law allowed an exemption averaging 50 acres per holding above the ceiling for purchase of a tractor or tube-well.[32]

But there remains in the reform legislation continuing ambiguity in the announced goal of "eradication of feudalism". Exactly what is being attacked as feudal? The feudal holdings in a narrow legal sense — the jagirs — were eliminated in the 1959 reform, but the estates affected were not extensive — 316,930 acres in all, of which only 43,390 acres was farmed by tenants.[33] If a narrow structural economic criterion is applied, capitalist farming can be distinguished from feudalism by the presence of wage labour in the former and sharecropping and labour-rents in the latter. But *begar* was legally abolished in the 1959 reforms, and Bhutto's reforms (while reiterating that prohibition) not only allowed continuation of sharecropping, but institutionalised that mode of organising production and protected the tenure of share tenants. Indeed, Bhutto announced that his reforms "lay down the foundations of a relationship of honour and mutual ben between the landowner and tenant".[34]

Evidently, then, feudalism can eradicated and leave behind the lar lord-tenant social organisation of ru society. The landlord-tenant nex with proper adjustments and go (enterprising) landlords, was consid ed potentially conducive to both soc justice and productivity. Significant the two goals were linked conceptual

> The relations between landowne and tenants have caused gra anxiety to the country and o people. There has been strife ar bitterness causing serious problen affecting agricultural production ar social harmony.[35]

The reforms thus envisioned th *transformation* of feudal "parasites" – the "enemies of the people" — int good landlords, "humane" and "ente prising". Share tenancy was not to b eliminated but rationalised and strippe of arbitrary abuses. In no sense wer the feudal lords to be eliminated; thei holdings were to be sized down, bu provisions for transfers of land and a individual (rather than family) unit fo calculating the retainable area assured large owners of sizeable post-reform holdings even if the legislation were administered effectively. There was no comprehensive attack on the feudals as individuals, but rather an attempt to convert parasites to entrepreneurs, arbitrary tyrants to model landlords.

Exhibiting striking continuity with the policies of earlier regimes, Bhutto's policy logic for the conversion of feudals to modernising gentry was operationally more dependent on carrots than on sticks. Land reform provided the stick, but it remained a largely symbolic and potential stick. The carrots were real — direct and indirect subsidies to modernising farmers and the absence of an agricultural income tax.[36]

That the modernisation and rationalisation of the agricultural core of the economy should be addressed in part through land reforms does not surprise the student of agrarian change; what does seem at first peculiar is that such a modernisation should be built on the ancient social organisation of landlords and tenants. But this seeming structural incongruity is by no means novel, nor unique to Pakistan. Lenin, for example, termed this pattern of agrarian development *via* land reform the "Prussian model", leading to junker capitalism, as opposed to the American or English models: Barrington Moore, Jr, makes a similar dis-

nction and traces the origins of erman fascism to this form of the pitalist agricultural revolution from ove.[37]

Important features of Bhutto's reforms seem to follow Lenin's Prussian odel in facilitating mechanisation id modernisation on large estates hile retaining the sharecropping ganisation of production. The conentional wisdom in neoclassical ecomic theory has been that share nancy frustrates agricultural modernition and rationalisation;[38] but hutto's reform mandated changes in roduction relations to introduce effiency and dynamism into the traditional landlord-tenant production stem.

The usual objections to share tenancy n efficiency grounds assume that the enant is responsible for fixed capital nprovements and supply of working apital, and that the low marginal eturn on investment (a consequence f the share rent) and poverty of the ultivator combine to reduce efficiency nd thwart technical change. The role f the rentier is essentially passive and he tenant is not up to the task. But n the Pakistani model, the landowner as been given every incentive to nvest in fixed capital — both through he effective absence of rent control nd through the numerous subsidies ranted to owners for fixed capital.[39] Working capital under the law must be hared equally between tenant and andlord, eliminating in theory the disncentive problem of low marginal returns to the tenant's investment.[40] Moreover, expenditure for seeds, a major item of working capital, has been legally made the responsibility of he landlord alone. As gentry were ssumed to have more scientific inclinations, education, and extension contacts than sharecroppers, the provision would facilitate (again in theory) employment of the best quality seed and ppropriate varieties.

The net effect of these measures, if mplemented, would be to place the burden of modernisation and technological change on the landlord. With rimary responsibility for supply of working capital and access to fixed apital improvements and institutional redit, the overall direction of the production process is placed more squarely n the owner of the land. Increased nvestment expenditures should assure more active role in management and upervision, and increased concern for fficiency. Moreover, as tractorisation roceeds, a process greatly accelerated under Bhutto, the tenant's singlemost important working capital contribution — bullock power — is replaced by capital controlled by the owner.

Since the logic of Bhutto's ceiling was precisely that of Ayub Khan's ceiling measures, can we not learn something about the modernisation of agriculture and eradication of feudalism by examining the effects of that earlier reform? Indeed, the official position before Bhutto's regime was that the 1959 ceiling reform had eliminated the parasitic feudal landlord with his "habits of a drone". Did Ayub's ceiling force modernisation on the owners of huge estates affected by his reform, as the government claimed?

Empirical assessment of the claim is problematic. Certainly some large holders did modernise, participating fully in the explosive tractor-tube-well and 'green revolution' technological changes of the mid-1960s. But other, far more powerful, factors were simultaneously at work, primarily the extremely favourable terms on which agricultural capital was provided, including both direct subsidies and indirect subsidies (exchange rates, credit terms, price supports, etc) and the absence of an agricultural income tax.[41] The independent effect of Ayub's mild land reform is virtually impossible to separate, though unlikely to have been important. Still, a suggestive assessment of the participation of large landlords in the dramatic mechanisation of agriculture in the 1960s is possible.

Farm mechanisation is one possible indicator of agricultural dynamism. A government survey in 1968 found 1,495 tractor owners in Pakistan who owned more than 500 acres (Ayub Khan's lower ceiling limit); these agriculturalists owned an average of 1,317 acres each and owned 15 per cent of the private tractors in Pakistan.[42] Though these figures represent a significant concentration of mechanised capital, the number of tractors per owned acre on these huge farms was the lowest of any farm size group. Whereas smaller owners possessed a private tractor for every 21 to 150 acres, depending on size of holding, the great landowners averaged only a little more than one tractor per 1,000 acres owned — not a very intensive level of mechanisation. Indeed, that level of mechanisation suggests strongly that the very largest landowners continued to cultivate the bulk of their holdings with tenants and bullocks. It was the smaller owners who adopted the new tractor technology on a more intensive scale.[43] Owners of more than 200 acres each owned about 78 per cent of all land held by tractor owners in 1968, but owned only 34 per cent of the tractors; owners of between 26 and 100 acres each owned only 9.5 per cent of the land but 35 per cent of the tractors.[44]

Because land quality and percentage of waste vary by size of holding, the argument above is not decisive, but the data do suggest that the huge owners have not been the most aggressive agricultural entrepreneurs. That conclusion is bolstered by data on tube-well ownership. Of the tractor owners, those with more than 200 acres of land owned only 14 per cent of the tube-wells, but 78 per cent of the land. Tractor owners with between 13 and 100 acres owned 63 per cent of the tube-wells on only 21.5 per cent of the land. Moreover, the real strongholds of feudalism — the regions outside the Punjab and Sind — were relatively untouched by farm mechanisation and associated technological change. It is thus fallacious to argue that the 1959 ceiling reforms succeeded in creating a class of progressive agriculturalists from the 'drone-like' feudal landlords.[45]

But whatever the problems in the policy logic of ceiling reform, the question at hand is the extent of structural transformation. Leaving theory behind, how did implementation of Bhutto's land reforms contribute to the eradication of feudalism in Pakistan?

Where Are the Feudals?

It is difficult to sketch the agrarian structure on the eve of the reforms. There are census data for 1972, but the census is a poor mirror for agrarian structure. First, and most obviously, landowners knew agrarian reforms were coming; since the Ayub reforms, prudent landed families had been transferring and partitioning land, often only for the records, in order to escape further reforms. The PPP's founding principles spoke of radical agrarian reform and as did other political parties. Indeed, in announcing his reforms Bhutto noted that "landowners have been feverishly transferring land on an extensive scale and in a manner designed to defeat land reforms".[46] Secondly, the census is subject to less purposive errors and certain areas of the country were not covered at all. Moreover, existing data frequently do not fit the size categories of ceiling measures, informal tenure arrangements go unrecorded,

and a host of other difficulties appear upon close scrutiny of the situation.[47]

Nevertheless, a general outline of the agrarian structure can be sketched. The 1972 Census of Agriculture shows 16,163 private farms in excess of 150 acres (the reform's de facto definition of feudalism), representing less than 0.5 per cent of the farms covered in the census. Such farms covered nine per cent of the farm area and five per cent of the cultivated area. The ratio of uncultivated to cultivated land was thus quite high on the large holdings; whereas cultivated area constituted 83 per cent of farm area for all holdings taken together, for the largest farms that figure was only 46 per cent.[48] It is not clear, however, whether that difference is evidence of feudal indifference or simply an indication that large holdings contain a greater percentage of uncultivable waste land. Both factors were at work, but the relative weights are impossible to determine.[49]

But not all these large farms (averaging 277.3 acres each, of which only 128 acres were cultivated) can be called feudal, even by the roughest of criteria. Indeed, 9 per cent of the large farms were controlled and operated by tenants, another 28 per cent by owner-cum-tenants, leaving only 63 per cent as owner-controlled estates. Moreover, about one-third of the land held by large non-owning operators was leased in through a sharecropping arrangement; some of the feudals were sharecroppers. For the large agriculturalists who were owners, leasing out land on a sharecropping basis was not the dominant organisation of production. Indeed, these large owners reported that 79 per cent of their area was operated by themselves, 21 per cent by tenants. Only 12 per cent of the total area of large estates was sharecropped. The farmers most likely to lease out their holding to sharecroppers were those in the size category of 7.5 to 12.5 acres. Beyond that size, the tendency to lease out land to sharecroppers is *inversely* related to size of holding, with the largest owners being the least likely to engage in this 'feudal' practice.[50]

These data must be treated cautiously. Moreover, some areas of Pakistan were omitted from the census (the Mari Bugti subdivision of Baluchistan, all of Gilgit, Swat, Chitral, Malakand, etc) and indeed these areas would be expected to produce large concentrations of genuine feudals. But for the agricultural heartland of Pakistan, it seems clear that a ceiling on land ownership is a curious way to catch a feudal, if by feudal we mean at a bare minimum the use of sharecroppers to cultivate the owner's estate.

Table 1: Some Indicators of Social and Technical Oganisation of Production

Size of Holding	Percentage of Farms Using Fertilisers	Percentage of Cropped Area Fertilised	Percentage of Cropped Area Treated with Pesticides	Percentage of Farms Employing
Greater than 150 acres ('feudals')	39	49	7	51
Less than 1 acre (dwarf)	34	35	2	10
Modal farm size (7.5-12.5 acres)	55	43	2	33
All farms	22	43	2	30

Source: Pakistan Census of Agriculture 1972, Vol I, Tables 53, 54, 60.

This point is reinforced by examination of other indicators of the social organisation of production. Lenin considered wage labour to be the fundamental characteristic of capitalist agriculture. Of all Pakistani farms in 1972, 30.1 per cent employed casual wage labour; of the largest farms, 50.6 per cent employed casual labour. Clearly capitalism as defined by the rough structural criterion of use of wage labour is well-established on the largest holdings. With regard to permanent hired labour, the situation is more ambiguous. The 'hired hand' was certainly a fixture of capitalist agriculture in the West, and may indeed be so in Pakistan, but we know that historically workers have been attached to estates through debt bondage and serf-like relations. Census data do not distinguish between feudal and capitalist forms of permanent hired labour. The largest farms were more likely than smaller farms to have such labourers; more than 45 per cent of the largest farms reported permanent labourers, an average of more than five workers per household reporting. But more significantly, these large farms reported more *family* farm workers, by almost fifty per cent, than permanent hired workers — a situation that could hardly be called feudal.[51]

In terms of the social organisation of production, very large estates thus seem more, rather than less, capitalist than smaller farms. But what of the technical organisation of production? The census allows us to compare relative adoption of modern agricultural practices. (Mechanisation is an inappropriate measure because of the existence of economies of scale, though mechanised farming is certainly the symbol of progressive agricultu in South Asia.) The census record use of "plant protection measure (pesticides) and chemical fertilise Since these practices are neutral scale, or nearly perfectly divisib their employment serves as an appr priate indicator of farm modernisati (See Table I).

The data in Table 1 demonstra that not all land in large holdings farmed in primitive ways. Indeed, terms of percentage of cropped are treated with fertilisers and pesticide largest holdings are the most modern. However, the percentage of larg farms utilising fertilisers falls well belo the national mean, close to that of th dwarf 'farms'. Moreover, there is goo evidence of vigorous participation b the large rentiers in modern institu tional capital markets. According t provisional survey data from nearl one lakh households, whereas onl one per cent of the small tenants wh borrowed in agriculture received insti tutional credit, supplying 0.4 per cen of their requirements, 36.5 per cen of the large rentiers utilised institutio nal credit supplying 61.5 per cent o their credit needs.[53] Taken in conjunc tion these indications corroborate a central theme of this article: size o holding is not an adequate proxy fo organisation of production in either the technical or social sense. Many large holders are indeed 'backward' i agricultural technique; others are a the forefront of Pakistan's agricultura modernisation.

A land ceiling, and the case for redistribution, can be interpreted only with reference to the position of the majority of rural people; in that perspective, Bhutto's attack on landed wealth was quite moderate. More than two-thirds (68 per cent) of Pakistan's farm families operate less than the officially designated 'subsistence' holding (12.5 acres), tilling less than one-

d (30 per cent) of the farm area. nost half of Pakistan's farmers (44 cent) till less than 7.5 acres and in aggregate operate only 12 per cent he farm area on holdings averaging acres each. Totally landless tenant ilies constitute 34 per cent of the icultural population; another 24 per t rent at least some of the land y operate. The exact number of dless agricultural labourers in rural istan is unknown, but this class bably constitutes about 12 per cent the rural population.[54] The policy ic of land reforms in Pakistan has tressed the top of the agrarian icture; little attention has been paid the bottom of that structure, where st of the people, and the most tractable problems of production and tice, are located.

Implementation and Structural Change

The 1972 reforms provided a mber of levers to alter the existing arian configuration. The ceiling uld attack the largest concentrations landed wealth, considered the onghold of feudalism. Tenancy re- ms would benefit sharecroppers eco- mically. The prohibition of eviction uld strengthen tenants politically d socially. Redistribution of land uld free some tenants from the land- d's yoke entirely, creating politically dependent yeoman farmers in place the socially oppressed and economi- lly exploited sharecroppers.

When translated into law, the re- rms deviated somewhat from the inciples of the election manifesto. ne de jure ceiling was set at 150 res of irrigated land (or the equiva- nt), though the de facto ceiling alculated in Produce Index Units) as considerably higher, particularly r farmers who purchased tubewells take advantage of the bonus pro- sion.[55] The relatively high ceiling presents a political compromise in vour of feudal interests but even so as a significant reduction of Ayub's iling. Moreover, the manifesto's ovision for compensation to land- vners was deleted; land in excess of e ceiling was to be confiscated out- ght. On paper and in theory, some ry powerful landowners, whether udal or capitalist, would be severely rt by implementation.

Of course there were many gaps etween legislation and implementa- n. Shaikh Rashid, Minister for Land eforms and Chairman of the Federal nd Commission spoke of "primeval forces" unleashed by feudal landlords "fighting last ditch battles recklessly" to halt implementation. The Minister acknowledged that the regime's political capacity to effect land reforms was questionable; resistance came not merely from opposition parties but also from "some quarters of a reformist government" as well.[56]

The critical obstacle to implementation of the ceiling was not, however, pitched battles with primeval forces, but the rather mundane manoeuvers of landlords to evade the law. Land was concealed, records were altered, forgeries made.[57] Indeed, Shaikh Rashid acknowledged that even before the promulgation of the reforms landowners were "feverishly" transferring land to evade land reforms. The law responded to this problem by voiding all transfers of land in excess of the ceiling effected after December 20, 1971. Transfers effected between March 1, 1967, and December 20, 1971, were void unless the Land Commission could be satisfied of the bona fide nature of the transfer. The Commission was given the authority to determine whether or not the intent of land transfers was evasion of the ceiling law and the power to void such transfers.[58]

The criteria established for evaluating such transfers resemble those of market capitalism rather than the norms of feudal society. For a transaction to be valid, the recipient must have paid "adequate consideration" — operationally defined as reasonable market value — for the land and produced evidence of active management of the land. Revenue Department officials demanded to see record entries, receipts, and changes in bank accounts to reflect purported sales. In the case of gifts, the officials required evidence such as record entries and formal acceptance of the gifts (an important point in Islamic law). In those cases rejected by the Commission, it was on the criterion of active possession that most fraudulent claims broke down. In cases of bogus transfers, evidence of active cultivation or direction of cultivation, payments of wages, cesses, water rates, land revenue, etc, was hard to produce.[59]

The first level of evasion was not alteration of transfer records in fraudulent ways, however, but simple refusal to file a declaration of landownership (required of every owner with land equal to the ceiling). By the end of Bhutto's reigns about 1,200 owners had been caught for having failed to file declarations. Federal Inspection Teams, appointed in each province to search records for evidence of fraudulent transfers, discovered 3,265 cases; the revision of 2,855 of those cases resulted in an additional 4,83,691 acres of land being resumed by the Commission, an average of 169.4 acres per case.[60]

Amid the evasion and legal ambiguities, do we have evidence as to the extent of implementation of the 1972 ceiling? Official aggregate data are available and are presented in Table 2, but the official story is incomplete. First, there are no data indicating the quality of land resumed and redistributed. The legislation allowed owners to choose the land to be retained, and thus the worst land was handed over to the government for distribution. Secondly, there was widespread fraud at the local level corrupting the official statistics. For example, land was distributed in the name of bogus tenants though in fact retained by landlords; land was taken back from tenants by force by landlords and their thugs; and so on.[61] Ironically, these malpractices were almost certainly more pronounced in the more feudal areas. There is no way to determine the aggregate effect of such distortions. The official figures must therefore be taken to represent the upper limit of land redistribution, with the gap between reality and data varying with local political and administrative conditions.

The data in Table 2 illustrate the limited aggregate effect of the ceiling provision. Even using the Census estimate of operated farm area, which is an understatement, the area redistributed during the Bhutto regime came to only 2.5 per cent of the total farm area. Moreover, about 40 per cent of that area came not from implementation of the 1972 reforms (MLR 115), but from discovery of surplus land that should have been appropriated under Ayub Khan's 1959 ceiling reform (MLR 64). The effect of land distribution on sharecroppers was limited by the relatively high ceiling and the provision allowing large owners to keep their best land, discarding the waste: less than 10 per cent of the country's tenant families received land even by official estimates (which overstate the case). As noted previously, most sharecroppers hold their land from small owners, not great feudal lords; about 85 per cent of the pure tenants held land from owners of less than 25 acres, according to 1972 census data.

TABLE 2 : IMPLEMENTATION OF CEILING REFORMS DURING THE BHUTTO REGIME

Date As of :	Area Appropriated ('000 acres)	Area Redistributed ('000 acres)	Land Redistributed as Percentage of Total Operated Area [1]	Number of Families Receiving Land	Recipients as Percentage of All Tenants [2]
Jan 1974					
(MLR 115)	787	285	0.6	35,000	2.7
Jan 1975					
(MLR 115)	882.9	426	0.9	51,225	4.0
Sept 1976					
(MLR 115)	(1,148.4)	(682.8)			
(MLR 64) [3]	(1,094.8)	(491.6)			
Total	2,243.2	1,148.4	2.3	117,412	9.1
May 1977					
(MLR 115)	(1,731.6)	(725)			
(MLR 64)	(1,094.8)	(498)			
Total	2,826.4	1,223	2.5	119,182	9.2

Source : Federal Land Commission Data.

(1) Of 49,206, 552 acres reported in the 1972 Census of Agriculture. Revenue Department figures show much more land in operation. Using Census figures thus inflates the percentage of total area affected.

(2) Of 1,296,468 tenant families in the Census, an underestimate of the total. Only pure, landless tenants are included here, not owner-cum-tenants.

(3) National Law Regulation 64 contains the ceiling reforms under the Ayub regime (1959).

In terms of regional differences, Sarhad and Baluchistan showed significantly higher percentages of farm land redistributed and tenants benefited. According to census data and official figures, the number of peasants receiving land in the NWFP was about one-third of the total number of landless tenants in the province. Almost 12 per cent of the total farm area in the province was confiscated and about three-fourths of that redistributed. It is thus tempting to interpret implementation of land reforms in the province as tactical politics in the struggle of the Bhutto regime against the National Awami Party (a party composed of and supported by powerful Sarhad landlords) which staunchly opposed Bhutto's centralisation of power.

Data from Baluchistan are extremely suspect. However, if we are to evaluate Bhutto's claim of waging war against the feudal sardar system of Baluchistan, it is important to note that the largest amount of land confiscated under MLR 115 in any province was taken in Baluchistan, though that province has less than 10 per cent of Pakistan's farm area. About 10 per cent of the farm area in the province was expropriated and the beneficiaries constituted more than 36 per cent of the landless tenants in the province. A separate measure MLR 117, redistributed additional land in the Pat Feeder area of Baluchistan amounting to half a million acres, permitting the resettlement of a very large number of poor farmers. Again, as with the NWFP, this outcome is understandable if we view land reform as a political instrument for winning over the masses in politically hostile territory while simultaneously weakening the local opposition power elite, the great landed families.[62]

The other claim to important land redistribution made by the regime was the final settlement of disputes between peasants and landlords and rulers in the erstwhile princely states of Dir, Swat and Chitral. According to the Federal Land Commission, about forty thousand families in those areas were settled on land withdrawn from the ex-rulers and other landlords. If substantiated, such a redistribution would arguably constitute a very real attack on isolated feudal configurations, but would have little impact on the structure of Pakistan's agrarian economy.

TENANCY REFORM

Because of the character of Pakistan's agrarian structure — the concentration of most tenants on land owned by relatively small holders — the ceiling mechanism even with perfect implementation would have limited capacity to ameliorate the social, economic, and political disabilities suffered by sharecroppers. The te reform sections of Bhutto's legislation addressed some aspec this problem directly. The law's visions prohibiting eviction of te (except under explicitly stated restricted conditions) in theory re ed the landlord's most potent co mechanism — the power to depri peasant of security and livelihood. forcement of this crucial prote for tenants is problematic, how First, the reforms offer no new m of enforcing rental controls. If r can be increased at the owner's w the formal power to evict the te becomes irrelevant. Yet there is historical precedent for succes control of sharecropping rents Pakistan, nor indeed in South A generally, at least in those agra configurations in which the tenan desperate for employment and landlord has other options.[63]

The tenancy acts of the var provinces of Pakistan of the e 1950s regulated rents, typically lin ing the owner's share to no more th 40 per cent of the gross produce, the legislation remained a dead let and the recent census gives strik confirmation of widespread violati of the provisions. Of the sharecroppi contracts reported in the census, 8 per cent specified the owner's sha as one-half. Moreover, in 3.5 per ce of the contracts, the owner's share w two-thirds and in 16,907 contrac (0.7 per cent), more than two-thirds Moreover, some of the highest facto rents obtain in areas not cover by the census.[65]

Enforcement responsibilities f Bhutto's tenancy regulations went the Revenue Department, a burea cracy known for characteristics whi do not augur well for effective impl mentation. Bhutta himself referred the system of the Revenue Departme as "decadant", characterised by "c ruption, mischief, vendettas,... haras ment".[66]

To what extent have the 1972 r forms succeeded in preventing tena evictions and redistributing income forcing landlords to assume a prepo derant share of production costs? is impossible to answer this questi without field surveys, but the lik lihood of effective enforcement see negligible. Significantly, the gover ment has no systematic method monitoring, much less enforcing, t regulations on input costs, just as cannot monitor or enforce terms rental contracts. Indeed, administrati

rvention in and regulation of ons of complex tenancy contracts n virtually impossible in rural stan. Likewise, evictions come to attention of the Revenue Depart- t only if tenants take the initiative nitiate adversary court proceedings. t particular area is of course not icularly conducive to the effective ggle of the poor and weak against wealthy, influential and well- nected.[67]

hus no one, including the govern- t, has a firm idea of how many nts have been evicted by landlords ally. The present regime's White er on the Bhutto government claims tenant evictions *increased* after land reform.[68] This claim is not easonable; the reaction to tenancy slation by landlords historically in th Asia has been to alter records, nging tenants into 'labourers' or ants', or to evict tenants to avoid problem altogether. Studies of torisation in Pakistan suggest that e owners do not experience diffi- y in evicting tenants in order to hanise.[69] My own conversation n landlords support this conclu- : if there is need to be rid of a nt, it can be done. It is naive to eve that a law from Islamabad ld dramatically alter that custo- y situation, rooted as it is in ctural power imbalances of the st fundamental kind — control of means of production. The situa- n is likely to be different only in se few areas in which tenants are l-organised, individually well-con- ted, or otherwise locally powerful. e multiplication of such areas is ely, in part because of the further velopment of political and social sciousness among rural people, gmented by the land reform itself, ich would predict increased mili- cy in resisting evictions. Indeed, re is evidence that the regime came quite concerned about the plications of the hornet's nest he l stirred in promising security and tice to the sharecroppers.[70]

Officially recorded complaints of authorised eviction are almost cer- nly only the tip of a much larger berg. (Given the social and admi- trative structure of much of rural kistan, the purely rational response eviction would probably be quies- ce.) By the last month of the utto regime, such complaints alled 19,324, more than 83 per cent which were in the Punjab (reinforc- the common perception that Punjabi tenants are far less intimidated by their landlords than are those of Sind, for example). Most of those cases were processed and 13,747 tenants, over 70 per cent of the cases decided, were granted restoration orders (though the actual reinstatement of the tenant on the land might prove more difficult). Prosecution of landlords was ordered in 274 cases, but only 6 cases ended in conviction. The quick resolution of ejectment cases and the high percentage of decisions in favour of tenants compare favourably with experience in other parts of the subcontinent, but it must be emphasised that only a fraction of the total number of evictions come to court and no landlords were punished for illegal eviction of tenants. Moreover, the energy behind implementation of the tenancy reforms came largely from the personal interest of Bhutto and Shaikh Rashid in these cases; under a less sympathetic regime, the ability of tenants to win ejectment cases, and their willingness to bring such cases, would arguably deteriorate.[71]

The Second Round

A 'second round' of ceilings was announced by Bhutto on January 7, 1977. The ordinance significantly reduced the ceiling (by one-third) to 100 acres of irrigated land or 200 acres of unirrigated land. Unlike MRL 115, however, the new legislation provided for compensation at the rate of Rs 30 per Produce Index Unit of land, but the confiscatory element in the new law was significant, as the compensation fell far short of the market price of land.[72]

Bhutto had promised in May 1972 that MLR 115 was the final reduction of the ceiling and that "no further changes in land ceilings will be made".[73] The motive behind the second round was clearly tactical and political. The reforms were pushed through the National Assembly on the eve of dissolution, before the 1977 elections. The PPP had played heavily on the symbolism of land reforms as evidence of the party's commitment to the poor. It is thus not surprising that a new round of land reforms, accompained by introduction of a graduated agricultural income-tax and exemption of small farmers from the land revenue tax, should appear on the eve of an important election campaign.

The last round of reforms was heralded in a Bhutto speech reported under banner headlines, "New Deal for Farmers: Feudal System Comes to an End".[74] The manipulation of symbols resembled that of the 1972 reforms. Landlords were threatened with stiff penal sanctions, imprisonment, forfeiture of property (or all of the above) for evasion of the law (though no one, to my knowledge, had been punished for violation of the earlier law, despite widely acknowladged evasion). The reforms promised 'social justice as demanded by the 'ideology of Pakistan' (invoking the Quaid-e-Azam) and by the requirements of modern agriculture. Bhutto excoriated other politicians who talked of land reforms as "dangling promises, raising bogus slogans, faking a concern for the poor only in order to achieve their selfish political ambitions". There was the familiar concern with 'balance' ensuring that the need of agriculture were met while simultaneously providing more land for the landless and further levelling rural inequalities. References in the speech also made clear, however, the sense in which the reforms were a pre-emptive strike, stealing a march on opposition political parties which planned to promise land reforms in their election manifestos.

As with earlier reforms, rhetoric outran potentiality. If the 1977 ceiling were to be enforced, not very many owners, nor very much land, would be affected. According to land revenue data collected immediately prior to promulgation of the ordinance (and indeed collected to gauge the impact of the reforms), 46,831 owners possessed land in excess of 100 acres but less than 150 acres, and 56,254 owners possessed holdings greater than 150 acres. These 1,03,085 owners (a number vastly greater than that suggested by the census) would be allowed to retain in the aggregate 10,308,500 acres of irrigated land or 20,617,000 acres of unirrigated land. The actual amount possessed by the two groups together was 15,039,922 acres, of which only 3,430,045 acres was irrigated. Moreover, 6,157,488 acres of that total, more than one-third, was uncultivated land. Since owners are allowed by law to choose the land to be retained within the ceiling, it would seem that very little cultivable land would change hands even if the new law were rigorously enforced. Such a result was to be expected, of course. Landowners had been aware for some time that land ceilings might be lowered. Though Bhutto at times promised an end to ceiling legislation, at other times he mentioned future re-

ductions in the land ceiling.

Although the second round of ceilings would yield very little land in the aggregate, there are important regional variations. Large owners of Sind and the Punjab were virtually unaffected by the new ceiling. However, landowners in the NWFP stood to lose a great deal should the ceiling be enforced. Census data for Baluchistan suggest the same conclusion.[75] This regionally-skewed impact of the new ceiling offered potential opportunities to attack 'feudal' political enemies in the two rebellious provinces while simultaneously avoiding serious confrontation with the politically important gentry of the Punjab and Sind.

Bhutto was unable to implement his second ceiling. The violence of the election and post-election periods precluded the concentration of energies on land reform. After the coup, the military regime informed the Land Commission to proceed with implementation of the ceiling but the future of the second round is now uncertain.

There were other last-minute measures taken by the Bhutto regime. On December 18, 1976, a "National Charter for Peasants" was promulgated. All cultivable land which vested in the State, if not otherwise reserved, was to be distributed among landless cultivators and farmers with less than a "subsistence holding". Moreover, all tenants on State lands were to be granted ownership rights. Such a policy had potential significance because the aggregate area made available through ceiling reforms had been small relative to the needs of the landless and of poor quality. Moreover, if enforced, the policy would counteract the tendency for State lands to fall into the hands of powerful and wealthy, often non-agricultural, individuals.[76]

The Revenue Department estimated that 3,471,531 acres of culturable land was available for distribution under the National Charter. This figure, though only a fraction of that claimed by Bhutto's spokesmen, represents about twice that made available through operation of ceiling reforms. Of the total, only 559,968 acres are irrigated, however. If all the 'culturable' land is indeed cultivable, and were distributed, more than 250,000 families could be given subsistence farms, representing about one-fifth of the pure tenants of the country. That change would be an important alteration of the agrarian structure, but would do nothing for the 2,559,810 farm families who farmed less than a 'subsistence holding' in 1972,[77] nor for the families of landless labourers.

Bhutto's final attack on the feudal system was a dramatic revision of the agricultural tax system. The traditional land revenue tax is imposed uniformly on each acre of cultivated land and thus regressive, though relatively light in incidence. The real burden on the cultivators is the oppressive and corrupt revenue bureaucracy at the local level. Bhutto's revisions exempted from the tax all farmers with holdings under 25 (irrigated) acres; the land revenue was to be replaced by a progressive income tax. The government claimed that the reform would exempt 95 per cent of the country's peasantry from taxation.[78]

Like the 1972 ceiling act, the agricultural income ordinance contained incentives for modernisation and mechanisation. Not only were current expenditures for working capital (seeds, fertiliser, wages, interest, etc) deductible from income, but the law allowed full deduction of the cost of tractors, agricultural machinery and implements, tubewells, and levelling and land development in the year in which the costs are incurred. Because agricultural income is almost impossible to monitor, a simplified accounting system tied to Produce Index Units was proposed.[79] Taken together, the deduction allowances and simplified accounting procedures provided real tax incentives to invest in agriculture. Those feudal lords who are not eradicated were again being nudged into the role of agrarian entrepreneur. Bhutto argued that previous administrations had been unable to enact an agricultural income-tax because of opposition from a "strong feudal lobby". It is important to note that the income-tax *could* be administered in such a way as to seriously penalise, perhaps ruin, large landowners who fall far behind productivity norms, depending on how the translation from Produce Index Units to estimated income is made. Though the issue can no longer be resolved, it seems clear that the changes in tax policy held at least as much potential as ceiling reforms for the conversion of feudals into entrepreneurs, if not for their eradication.[80]

Conclusions

The 'eradication of feudalism' is analytically the outcome of the bourgeois revolution. Since the economic and political base of a feudal elite is control of land, agrarian reforms should be a central, and obvious, weapon in that classic confrontation. Lenin noted that "in the epoch bourgeois revolution... the ob conditions compel the 'radical geois' to be courageous". That age", for Lenin, involved supp radical land reforms to "solve the rical problem of the given period the crushing of the feudal ruling Lenin argued that the bourgeoisie afford (indeed, was forced) to be cal at this point in history beca had not yet "territorialised i meaning that capitalist relations not yet spread to agriculture, property relations remained fe Moreover, there was as yet no nee fear the proletarian revolution.[81]

Should we take the rhetoric o Bhutto period seriously and view land reforms as central elements bourgeois revolution? We can appr this question by asking another What is it that those classes which to transform Pakistan into a thorou capitalist society, devoid of fe residues, find objectionable in agrarian system?

Economically, feudalism has conn in Pakistan traditional parasitic la lordism and by implication agricult stagnation. As the core of the natio economy is agricultural, and the state agriculture directly affects the lives most Pakistanis, concern for rationalis and modernising production in ru areas has been a policy problem for r ing elites since independence. No regi in Pakistan can long endure if t granaries are empty; nor can bro national economic development be co templated without the foreign excha earned by agricultural exports (prin rily cotton and *basmati* rice). Mo over, the necessity to expend sca foreign exchange reserves on import foodgrains limits developmental choic and resources. To the extent that efficient and primitive means of ploiting the land persist on feu estates, the economic development terests of those classes which cont the national state are threatened. Pakistan, this crisis became manif as the new nation changed from a fo surplus to food deficit area in the Fi Five Year Plan; the resulting dislo tions seriously upset national planni

Feudal economic relations also prive the State, and dominant politi groups, of opportunities for integrati and penetration of the rural econom The traditional landlord mediates b tween tenants and market economica in a functional parallel to politi mediation through patron-client n works.[82] Opportunities for suppliers working and fixed capital, niches

and rural capitalists, are denied
ly by the economic stagnation of
ism, but also by its mediating
n *vis-a-vis* inputs and marketing.
eedless to say, a stagnant agri-
l sector deprives the regime of
lity in extracting tax resources.
us rural development on the
hand produces effective demand
th consumption goods and agri-
l inputs, creating new markets
arketing niches, new channels for
ting surplus from rural producers.
ond these obvious economic im-
ves, in the perceptions of Zulfikar
hutto, as in the policy logic of
regimes in Pakistan, there was a
deal about feudalism in rural
an that needed eradicating. Poli-
, the concentration of power in
reat landed families has tied the
of Pakistani regimes, preventing
al centralisation and integration.
PPP as a mass populist party was
ally in part an effort to circum-
dependence on traditional rural
brokers. Once in power, a press-
olitical problem was the Centre's
ity to exercise effective control in
histan and the Sarhad. Indeed the
reforms of 1972 and 1977 struck
st at the large landowners of those
nces. Likewise, the strategic posi-
of the Sarhad and the critical na-
resources of Baluchistan (along
the traumatic separation of Bang-
h) undoubtedly sharpened Bhutto's
rn for national integration, politi-
penetration, and political stability.
may wonder how eager Bhutto
d have been to eradicate the feudal
m if all the *khans* and *sardars* had
ed the PPP, but in the event criti-
regime objectives were blocked by
rful feudal chiefs. There the eradi-
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cially, feudalism has meant in Pak-
the presence of tyrannical and
essive landlords. Abusive condi-
s in the social relations of produc-
are conducive to neither economic
iency nor political stability, and are
sive to the legitimating ideology
market economy and democratic
y — free labour and citizenship.
us land reforms offer potential for
ng with exactly those problems of
tural transformation that one
ld expect during the epoch of the
geois revolution — the eradication
oth feudalism and feudal relations,
omic, political, and social. As im-
antly, land reform offers unique
cal political advantages for any
icular regime. To effect structural transformation — the strategic goals which incorporate important class needs — a regime must first retain political power. Agrarian reform may prove an important means to this tactical end as well.

One of the most important tactical resources provided by agrarian reform is powerful symbolism. All government policy serves symbolic functions, but land reform is special because land itself is a symbol of ritual status and power in agrarian society, the symbol of existing patterns of stratification and authority.[83] Land reforms in contemporary South Asia are perhaps the most common evidence presented by government leaders that their regimes are "socialist", and "dedicated to the little man". Ghulam Mustafa Jatoi, as Bhutto's Minister for Political Affairs, stated publicly: "Many people had cast doubts on our sincerity and insinuated that, as the President is a landowner himself, he would not introduce land reforms."[84]

It is precisely because ruling elites come from privileged classes, frequently landed, that dramatic illustration of good faith and dedication to the masses is necessary to establish legitimacy. In Bhutto's specific case, commitment to land reform was also important for maintaining at least a shadow of hope and legitimacy in genuinely leftist circles within and outside the PPP. There was even an attempt to extended the symbolism to allay the fears and solicit the support of religious leaders who distrusted the PPP, while simultaneously playing on the precarious legitimating theme of 'Islamic socialism'. The first sentence of the 1972 regulation reads: "Whereas Islam enjoins equitable distribution of wealth and economic powers and abhors their concentration in a few hands..."[85]

Perhaps an equally important set of tactical political resources provided by land reform may be termed those of 'ordinary politics'. Ordinary politics involves the mundane mechanisms by which regimes reward supporters, or potential supporters, and punish opponents or threaten potential opponents. The distribution of state lands has always been a patronage resource for rewarding supporters. Ceiling-redistributive reforms augment these resources and add an important element. Because of the numerous discretionary provisions in the law, political enemies can be victimised, friends rewarded. Reforms with severe penalties such as the 1972 law (seven years rigorous imprisonment and confiscation of property) could be powerful tools for rewarding friends, punishing enemies and convincing fence-straddlers to commit themselves. This threat is enhanced by the commonly acknowledged evasion of the law by landlords; there is a skeleton in almost every large closet.

Few people in Pakistan doubt that the land reforms were used politically, as are all discretionary measures (licenses, etc).[86] In April 1974 it was announced in several Urdu language newspapers and the semi-official English *Pakistan Times* that two powerful Baluchi rebel tribal leaders, held in custody for months prior to the announcement, would be prosecuted for violation of the ceiling law. Each was said to possess more than 4,000 acres. The announcement also charged former Governor of Baluchistan Akbar Bugti with violations. The three (one a dissident Member of the National Assembly and two, former Governors of the rebellious province) were charged with failing to file land ownership declarations. The penalty was potentially extremely harsh, though the offence was common and no one had at that time been prosecuted. Nothing came of these charges, but the original intent seems obvious.

Moreover, MLR 115 contains provisions to the effect that transfers made wih the *intent* of evading the ceiling are illegal; charging and proving mala fides in 'intent' is slippery legal ground and allows great scope for discretionary judgment by authorities. Indeed, one provision in the law seems to serve no function other than increasing the potential for use in ordinary politics. Though it was acknowledged that vast amounts of resumable area have been illegally concealed or transferred, and that only local information could reveal the true situation, the regulation states: "No court shall take cognisance of an offence under this regulation except on a complaint in writing made by order of, or under authority from, the Commission".[87] The Commission consisted of a cabinet Minister (the Chairman) and two very senior civil servants, appointed by Bhutto. It was this body, rather than local level institutions or officers, which decided whether a case would be prosecuted and what appeals would be heard. The present regime's position is that land reforms of the Bhutto period were implemented according to particularistic and political criteria, victimising or rewarding individuals accordingly; their White Paper on the Bhutto government is replete with specific allegations.

The distribution of boons is pro-

bably a more important political resource than the punitive possibilities; few people have been prosecuted under the laws discussed, and I know of no serious penalties actually imposed. Yet everyone knows that discretionary powers lie with the government and can dramatically affect the fortunes of individuals during the reform. The distribution of land, on the other hand, gives recipients a concrete stake in the regime, and has great symbolic value as well.

The answer to our question is then: Yes, the land reforms may be considered a part of the process of completing Pakistan's bourgeois revolution, contributing to the elimination of those political, economic and social vestiges which are antithetical to a nationally consolidated bourgeois society, economy, and polity. But the reforms must also, more decisively, be analysed in terms of the tactical imperatives of the Bhutto regime — generating powerful symbols, attacking political opponents and regional satraps, attempting to co-opt peasant discontent, stealing a march on other political parties which threatened to use the same symbols in a counter-mobilisation of the rural have-nots.[88] The tactical and strategic imperatives are of course complementary — a regime must manage the short term struggles to retain power in order to achieve long range strategic goals.

But if agrarian reforms are potentially such powerful weapons in the bourgeois revolution, why were they wielded so meekly by a regime openly committed to creating and protecting a "progressive and enlightened" capitalist economy in agriculture as in industry? Lenin noted that historical conditions may force the "radical bourgeois" to support fundamental agrarian reform, but then quoted Marx to illustrate constraints on the radical bourgeois reformer:

> In practice he lacks courage, for an attack on one form of property, private property in the conditions of labour, would be very dangerous for another form.[89]

A thorough-going attack on private property and privilege in the rural sector threatens a generalisation to the rest of society. A central theme of the Bhutto regime was continuous reassurance to industrialists that they should invest, resting assured that their interests would be protected. Bhutto's speeches to businessmen about land reforms stressed that a sizing down of the vast feudal estates would both stimulate rural production and eliminate tyrannical and parasitic landlords while leaving incentives in place for "humane", "enlightened" and "progressive" landlords. The land reforms had to be limited to preserve the faith of important social groups in continued state guarantees of a capitalist structure of society, rural and urban, with its characteristic incentives and privileges.

Though certainly no Marxist-Leninist, Zulfikar Ali Bhutto recognised that class conflict cannot easily be quarantined in one sector of society, nor does it end with the successful completion of the bourgeois revolution. In his speech to the Annual Dinner of the Karachi Chamber of Commerce and Industry in 1972, Bhutto told the industrialists:

> Before the land reforms of 1958, the theme of the business community was that land reforms must take place in this country. It was contended that without land reforms there would be no progress. Feudalists are parasites. In those days, all the Zamindars used to get excited and complain that class hatred was being preached against them. Businessmen have been saying for a long time that the Zamindars are parasites. At that time, in this same Beach Luxury Hotel, I used to hear speeches of your Chamber on this theme. You look at your own doings — you talked of land reforms, you criticised the Zamindars, the Vaderas, and rightly so. At that time it suited your interest, but you were preaching class hatred. Now history has moved a stage further and we have, to some extent, dealt with feudalism. Now we have come to new forces dealing with nascent capitalism. When capitalism comes under pressure, you get worked up and you say that class hatred is being created in the country.[90]

But more fundamentally, Lenin noted that a radical bourgeois attack on private landed property was possible because "in the epoch of the bourgeois revolution the bourgeoisie has not yet territorialised itself". This condition does not hold in contemporary Pakistan; capitalist relations and institutions have long been established in agriculture. In an important sense the bourgeois revolution in land relations was begun under colonial auspices;[91] capitalism is firmly installed in rural Pakistan, though often operating through traditional, pre-capitalist social organisations of production such as sharecropping. Large estates in Pakistan show more characteristics of modern capitalist farming than do smaller farms, and landed families have roots and branches in both economies, modern and traditional, feudal and capitalist; the sharply distinct categories interpenetrate on the ground. Thus any radical land redistribution, or a land-to-the-tiller policy, would, like harsh cancer treatments, root out feudal relations in agriculture but only at the expense of da the healthy capitalist tissue in it is embedded. Bhutto's public ments on the level of the ceiling ated the earlier policy logic of r in Pakistan: a very low ceiling discourage exactly that class of rian entrepreneurs on which h the future of Pakistan's agric depended.

But if these strategic concerns ated the attack on feudalism *vi* reform, tactical political const played a more proximate and minate role. Whether feudal, capi or some permutation, the lando gentry of rural Pakistan wields political power; it is hard to im any regime — except perhaps a r tionary one — governing long w their support. Given this constraint the economic and symbolic imper facing the regime, the land re were tactically astute. The se round of reforms would have aff very few landlords in the provinc PPP strength (the Punjab and but would have attacked quite a ber of recalcitrant feudals in rebel Baluchistan and the Sarhad. But land reforms, as other agrarian sures of the regime, were not inte to *eradicate* feudals so much a nudge them into the fold, the fold ing comprised of progressive enl ened gentry who invest in the and do not arbitrarily abuse their ants, gentry who fulfill their trad nal paternalistic obligations tow the less privileged and who may tempted to throw their consider political weight behind the regime order to protect their privileges ward off future, perhaps more seri attempts at their eradication.

Notes

[This is a revised version of a p presented to the Quaid-e-Azam C ference on Contemporary Pakis Columbia University, New Y March 9-11, 1978. A longer versio the paper has appeared in *Contemp ry Studies in Society and His* (Fall, 1979, Cambridge Univer Press). My appreciation to Ha Kizilbash and Leonard Binder for c ments on the original draft, tho neither of them bears any responsi ty for the final version.]

1 "Election Manifesto of Pakis People's Party", Lahore, 1970, 28-9.

2 See, for example, Rushtom C born (*ed*), "Feudalism in Histo Archon, Hamden, Conn 19 Daniel Thorner rejected the i of Indian feudalism in his study of the Rajputs.

his is not to deny the importance the mode of production debate garding Indian agriculture, but avoid so complex an issue for ant of space. European feudalism as not so coherent or uniform a stem as is often assumed. Perry nderson, in "Passages from Anti- uity to Feudalism", New Left ooks, London, 1974, Part II, pro- des a demystifying overview of ariations over time and geogra- hy in European feudalism, con- overting many of the simplistic aricatures.

Capital", Vol III. For reference nd discussion, see Eric J Hobs- awm's Introduction to Karl Marx, Precapitalist Economic Forma- ons", International Publishers, ew York, 1965, p 42ff. Marx's omments on feudalism are spread hroughout his works; nowhere is here a rigorous systematic con- deration of the subject. As Hobs- awm notes, Marx was more con- rned with what feudalism spaw- ed than how it worked.

David McLellan (*ed*), "Karl Marx: elected Writings" (Oxford Univer- ity Press) 1977, pp 393, 397, *et assim.*

For a discussion, see Jairus Banaji, The Peasantry in the Feudal Mode f Production: Towards an Eco- nomic Mode', *Journal of Peasant Studies*, April 1976, pp 299-320. For an excellent collection of con- ending positions within the Marxi- n tradition, see Rodney Hilton (*ed*), "The Transition from Feu- dalism to Capitalism", New Left Books, London, 1976.

For example, Strayer and Coul- born and other authors in "Feudal- sm in History", *op cit*. A similar perspective is that of the institu- ional economist John R Commons, 'Legal Foundations of Capitalism", University of Wisconsin Press, Madison, 1968, especially Chap- er VI, 'The Rent Bargain — Feu- dalism and Use-Value'.

B H Baden Powell, "The Land Systems of British India", Oxford University Press, 1892, Vol III, p 332.

Baden Powell, *op cit*, Vol III, p 327. See also, Walter C Neale, 'Land Is to Rule', in Robert E Frykenberg, "Land Control and Social Structure in Indian History" University of Wisconsin Press, Madison, 1969, pp 3-16.

Baden Powell, *op cit*, Vol III, p 327.

For an official treatment of how he writ of the Central government did not apply in Baluchistan, as of 1974, see Government of Pakis- an, "White Paper on Baluchistan", reprinted in *Dawn* (Karachi), Octo- ber 20, 1974. See also, Aijaz Ahmad, "Baluchistan's Agrarian Question", *Pakistan Forum*, May-June 1973, pp 19-29. Frederik Barth has com- piled and analysed the field notes of Robert N Pehrson in "The Social Organisation of the Marri Baluch", Aldine, Chicago, 1966. Barth's own classic is "Political Leadership among Swat Pathans". Athlone Press, University of London, 1959. Barth explicitly terms the society of Swat Pathans feudal. The fusion of polity and economy is suggested even in the term "khan", which means both landlord and chief in the region. For a more recent treat- ment of these areas, see Ainslee Embree (*ed*), "Pakistan's Western Borderlands, Carolina Academic Press, (Durham) 1977.

12 What Marx termed "personal un- freedom" in the conditions of lab- our is part of a continuum, not an absolute. For an excellent treat- ment of power handles and con- trol in the contemporary Punjab, see Hamza Alavi, 'The Politics of Dependence: A Village in West Punjab", *South Asian Review*, Ja- nuary 1971, pp 111-25.

13 "First Five Year Plan", Planning Board, Government of Pakistan, Karachi, 1956, p 129.

14 See, for example, "Report of the Land Reforms Commission for West Pakistan", Government of West Pakistan, Lahore, 1959 p 5 *et passim.*

15 For a sensitive and informed ac- count of the differences between good landlords and bad landlords by an influential colonial practi- tioner, see Sir Malcolm Darling, "The Punjab Peasant in Prosperity and Debt", Oxford University Press, London, 1932; especially pp 114-5, 125-8, *et passim.*

16 "Report of the West Pakistan Land Reforms Commission", p 30. That the ceiling would seem rather high from the viewpoint of social justice certainly seems reasonable. About three-fourths of Pakistan's farm families owned less than fifteen acres at the time of the 1959 re- forms, and even this estimate prob- ably understates the degree of in- equality in land ownership. Un- fortunately, there are no precise data. The 1960 Census of Agricul- ture gives no data at all on owner- ship patterns, only on *operated* size of holding. The West Pakistan Land Reforms Commission com- piled existing data on owners, but did not collect data on landless tenants or labourers. Calculations from their *Report* (1959), Appendix I, show that 64.4 per cent of all *owners* owned less than 5 acres, 93.1 per cent owned less than 25 acres. Altogether, the owners of less than 5 acres owned about as much land as the owners who held more than 500 acres, though the latter constituted only 0.12 per cent of the total number of owners.

17 "Report of the West Pakistan Land Reforms Commission", p 30. The point was also emphasised to me by I U Khan, a member of both Ayub Khan's Commission and Bhutto's counterpart. Interview at Rawalpindi, March 1974.

18 Address of May 23, 1972, "Presi- dent of Pakistan Zulfikar Ali Bhutto: Speeches and Statements", Department of Films and Publica- tions, Government of Pakistan, Karachi, 1972, Vol II, p 157 (here- inafter "Bhutto Speeches").

19 The generous subsidies to fixed and working capital of the 1960s de- teriorated under the economic pressures of the 1970s.

20 Interview to *Stern*, June 15, 1972 in "Bhutto Speeches", Vol II, p 193.

21 See, for example, 'Address to the Nation', March 1, 1972, reprinted by Government of Pakistan, De- partment of Films and Publica- tions (hereinafter 'Address to the Nation').

22 The oppression of the sharecrop- per was one of the themes in the Address to the Nation which in- troduced the 1972 reforms. At public meetings Bhutto often reiterated his pledge that the ages old oppression of the *haris* had come to an end with his reforms. The *sanad*, or deed, given to ten- ants who received land, read in part: "You stand free today." This was the theme of a speech at Thatta (Sind), January 2, 1975 (reported in *Dawn* January 3, 1975): *haris* who received land would not only benefit economically but would feel strong enough to fight tyran- ny and injustice.

23 For an explication of the dyna- mics in rural Pakistan, see Hamza Alavi, *op cit*, and Saghir Ahmad, "Class and Power in a Punjabi Village", Monthly Review Press, New York, 1977, especially pp 91-126.

24 Such a reform has been legislated, and largely implemented, in Ke- rala, India. See Henry C Hart and Ronald J Herring, 'Political Con- ditions of Land Reform: Kerala and Maharashtra', in Robert E Frykenberg, "Land Tenure and Peasant in South Asia", Orient Longmans, Delhi, 1977.

25 For a discussion of how great landlord families entered Bhutto's PPP, based on extensive field work, see Philip E Jones. 'Chang- ing Party Structures in Pakistan: From Muslim League to People's Party', Quaid-E-Azam Conference on Contemporary Pakistan, Colum- bia University, New York, March 9-11, 1978.

26 *Stern*, Interview, June 15, 1972, cited above.

27 'Address to the Nation', March 1, 1972, *op cit*.

28 For detailed account and analysis of the provisions, see Ronald J Her- ring and M Ghaffar Chaudhry, 'The 1972 Land Reforms in Pa- kistan and their Economic Implica- tions: A Preliminary Analysis', *The Pakistan Development Re- view*, Autumn 1974, pp 245-79. (Available as Reprint No 126, University of Wisconsin-Madison, Land Tenure Centre.)

29 Census of Agriculture data, pre- pared by the Agricultural Census Organisation, Lahore, for UNFAO.

Islamabad, mimeo, February, 1975.

30 For example, see Bruce J Esposito, 'The Politics of Agrarian Reform In Pakistan', *Pakistan Economist,* August 25, 1973, pp 14-9; Nimal Sanderatne, 'Landowners and Land Reform in Pakistan', *South Asian Review,* January 1974, p 123ff. The work of Philip Jones, cited earlier, is also helpful in understanding the political constraints on land reform.

31 'Address to the Nation'.

32 See Herring and Chaudhry, "The 1972 Land Reform..." *op cit,* p 250, for discussion and calculations.

33 "Implementation of Land Reforms Scheme in West Pakistan", West Pakistan Land Commission, Government of Pakistan, Appraisal Paper for World Land Reforms Conference, Rome, 1966 (Lahore: 1966), Appendix J.

34 'Address to the Nation'.

35 *Ibid.* Also see, Zulfikar Ali Bhutto, 'Message to Farmers', May 27, 1972, p 173.

36 For documentation, and treatment of the continuity in policy, see Ronald J Herring, 'Good Landlords, Bad Landlords, Parasites and Entrepreneurs: The Policy Logic of Land Reforms in Pakistan' in Manzooruddin Ahmed (*ed*), "Contemporary Pakistan: Politics, Economy and Society", Carolina Academic Press, forthcoming.

37 V I Lenin, *Collected Works,* Vol 13. pp 238-42; Barrington Moore Jr. "Social Origins of Dictatorship and Democracy", Beacon, Boston, 1966, pp 420, 424, 460-1.

38 Neoclassical economists formalised objections to share tenancy on efficiency grounds which date back to Adam Smith. For treatments with special reference to South Asia, see P K Bardhan and T N Srinivasan, 'Cropsharing Tenancy in Agriculture: A Theoretical and Empirical Analysis', *American Economic Review,* March 1971, pp 48-64; Ronald J Herring, 'Share Tenancy and Economic Efficiency: The South Asian Case', *Peasant Studies,* Fall 1978, pp 225-49.

39 In theory, the tenancy acts of the early 1950s are in force, but these acts have never been seriously enforced, more importantly, are construed to apply *only to ground rent.* Installation of a tube-well, for example, will alow the landowner to increase his share of the gross output by treating the increment as return to supply of working capital (water) rather than an increase in rent. The same has been done with tractors. Thus even if limits on ground rent could be enforced (and there is no mechanism to do so), the modernisation of agriculture renders limitation of ground rent *per se* increasingly irrelevant.

40 Assuming the output is shared 50-50, as are the input costs. This removes the neoclassical constraints on share tenant efficiency except return to labour, which remains less than it would be under ownership conditions. However, with increases in labour productivity through fixed and working capital investment, and the absence of real off-farm labour opportunities, this theoretical constraint, too, may prove irrelevant on the ground. The tenancy reform section of Martial Law Regulation 115 contains no provision for enforcing rent control, allowing landowners to invest and raise *de facto* rents accordingly. There are instances in which landlords in Pakistan have installed tube-wells and purchased tractors and increased their share of the gross produce to two-thirds or three-fourths. At this end of the rent spectrum, the share-cropper is as much a labourer on a piece-rate basis as a tenant, as all capital is provided by the owner.

41 For a thorough treatment, see Hiromitsu Kaneda, 'Economic Implications of the "Green Revolution" and the Strategy of Agricultural Development in West Pakistan', Pakistan Institute of Development Economics, Report No 78 Karachi, 1969; also Carl Gotsch, 'The Distributive Impact of Agricultural Growth: Low Income Farmers and the System', presented to the Seminar on Small Farmer Development Strategies, Columbus, Ohio, September 13-15, 1971, mimeo, p 57 ff; Keith Griffin, "The Political Economy of Agrarian Change", Macmillan, London, 1974, p 211 ff.

42 "Report of the Committee on Farm Mechanisation", Ministry of Food and Agriculture, Government of Pakistan, unpublished but circulated mimeo, Islamabad, 1970, p 60.

43 Carl Gotsch, *op cit,* concurs in this assessment, relying heavily on Javed Burki's work. Gotsch also cites examples of large owners selling land to tenants to generate capital to mechanise. See Shahid Javed Burki, 'The Development of Pakistan's Agriculture', in Robert Stevens, Hamza Alavi, and Peter Bertocci (*eds*), "Rural Development in Bangladesh and Pakistan", The University of Hawaii Press, Honolulu, 1976, pp 290-316.

44 My calculations from "Report of the Committee on Farm Mechanisation", p 60.

45 Data which would allow proper analysis do not exist. Land reforms have distorted the land records and official data, such as the 1960 Census of Agriculture, do not apply to ownership units. For a more comprehensive treatment of these issues, see Ronald J Herring and Charles R Kennedy, Jr, 'The Political Economy of Farm Mechanisation Policy: Tractors in Pakistan', in Raymond Hopkins, Donald Puchala, and Ross Talbot (*eds*), "Food, Politics, and Agricultural Development", Westview, Boulder, (Colorado) 1979.

46 'Address to the Nation'.

47 For an instructive illustra some of the problems i see Herring and Chaudhry, pp 250-5. Also Feroze Ahme plementary Remarks', *Forum,* December 1972, excellent discussion.

48 Pakistan Census of Agri 1972, Government of P Vol I, Table 1.

49 Large owners do report a percentage of 'unculturable (*ibid,* Table 14), but the de of 'culturable' is problemati the difference is not sufficie explain all of the variation tensity of land use.

50 *Ibid,* Tables 5, 6 and 7. Re disaggregation does not rever argument, though large own the NWFP are much more in the Punjab much less like let out land to sharecroppers, pared to the national mean.

51 Census of Agriculture 1972 I, Tables 60, 61. There ma reporting biases, and proble the exact meaning of a f 'worker', but one would e that truly 'feudal' families *not* exaggerate the extent of f participation in agricultural The presence of so many f farm workers on the large es suggests more the rich peasa capitalist farmer organisatio production than feudalism. Mao Zedong, 'How to Differen Classes in the Rural Areas', *Sele Works,* Peking, 1967, Vol I, 137-41.

52 Disaggregation by province not refute this argument. Ind in Sind, a stronghold of feuda in popular perception and poli rhetoric, the relationship h even more strongly. The percen of farms using fertiliser was hig on large estates in Sind, m higher than the national aver The same is true of pestici (Census Tables 53, 54.) The NW is the exact opposite; very large estates use fertiliser. Punjab shows little variability size of holding as does Baluchis where modern techniques are tremely rare.

53 Provisional data, Rural Credit vey, Agricultural Census Orga tion (1972); my calculations.

54 Data from 1972 Census, Vo Table 1. 'Subsistence holding' i official designation and is a economically meaningless. The centage of landless laboure from data of uncertain reliab collected by the Agricultural sus Organisation for the R Credit Survey, 1972. That fi seems reasonable in light of p lation census data.

55 For a discussion, and calculati see Herring and Chaudhry, *op* pp 264, 274. The ceiling on irrigated land, *de jure,* was acres.

Shaikh Muhammad Rashid, 'Land Reforms — The Dawn of a New Era', unpublished mimeographed paper, Rawalpindi, 1977. Similar implications can be drawn from the Minister's public and private statements regarding implementation.

I confirmed a number of instances myself through investigations in Pakistan. For some important examples, see "White Paper on the Performance of the Bhutto Regime", Vol IV, Government of Pakistan, Islamabad, 1979 pp 13-25 (hereinafter "White Paper"). For Bhutto's general refutation, see Zulfikar Ali Bhutto, "If I Am Assassinated..' Vikas, New Delhi, 1979.

Martial Law Regulation 115, Land Reforms Regulation 1972, "Gazette of Pakistan, Extraordinary", March 11, 1972, Part III, Section 7, pp 291-300.

My understanding of the implementation process is based on interviews with officials of the Revenue Department and members of the Federal Land Commission. See, also, 'Land Reforms (Pakistan): Review of Implementation' by Abdul Qayyum, presented to the "International Seminar on Agrarian Reform, Institutional Innovation, and Rural Development", Madison, Wisconsin, July 14-22, 1977.

'Land Reforms — Dawn of a New Era', cited above.

In addition to evidence of such fraud cited in Note 57 above during the Bhutto reforms, there is solid evidence of the same phenomenon in the Ayub reforms. In the village studied by Saghir Ahmad *op cit*, of 41 recorded recipients of land under the reform provisions, only two were actually owners of the land. Ahmad found that local landlords had threatened or bullied other tenants into not accepting land or relinquishing it once accepted. Landlords successfully used control of irrigation water, other tenants and various pressures to vitiate the reform. Moreover, the land which was distributed was allocated in such small parcels (well under the official guidelines) that recipients were still dependent on landlords for employment.

This point is reinforced by considering the province-wise distribution of land confiscated by the Federal Land Commission in exercise of its *suo moto* revisional powers (the authority to reopen and review cases previously decided). Of the 567,835 acres of fraudulently concealed land discovered and seized, 211,190 acres was in Baluchistan (37 per cent of the total). Another 23 per cent of the land so confiscated was in the NWFP, whereas the punjab, with most of the farm area, contributed only 7 per cent.

For a discussion of theory, and evidence, see Ronald J Herring, "Redistributive Agrarian Policy: Land and Credit in South Asia", Ph D dissertation, University of Wisconsin-Madison, Land Tenure Centre, 1976, Chapters 2 and 3.

64 Census of Agriculture, 1972, Vol I, Table 8.

65 "See Barth, "The Swat Pathans" Chapter 5.

66 'Address to the Nation'. See also, Government of the Punjab, "The Report of the Land Revenue Committee", Lahore, 1938, p 11 ff, for a vivid account. In fairness to the Revenue Department, it must be noted that political interests representing landlords controlled the Pakistani State in 1950s and were hostile to what Ayub Khan termed "even the very mild reforms" of 1952, and were able to scuttle reform initiatives. See Ayub Khan, "Friends Not Masters", Oxford University Press, Lahore, 1967, p 87.

67 For a treatment of the fatal flaws in the limited tenure reform model of land reform, and its paradigmatic structure, see Ronald J Herring, 'The Forgotten 1953 Paddy Lands Act in Ceylon: Ideology, Capacity and Response', *Modern Ceylon Studies*, July 1972.

68 "White Paper", Vol IV, p 24..

69 See John P McInerney and Graham F Donaldson, "The Consequences of Farm Tractors in Pakistan", IBRD, Washington, D C, 1973. An unpublished study by the Agricultural Development Bank of Pakistan also documents tenant evictions during mechanisation. For further discussion, see Herring and Kennedy, 'The Political Economy of Farm Mechanisation Policy', *op cit*.

70 See, for example, Bhutto's speech in Thatta (Sind), reported in *Dawn* (Karachi), January 3, 1975. Also, his reply to a delegation of landlords who complained of abusive peasants and underground movements, in *Pakistan Times* (Rawalpindi), January 26, 1974. Observers in the field corroborate these impressionistic findings. See, also, 'Sarhad Peasants under Attack'. *Pakistan Forum*, June-July 1972. Addressing a gathering at Nawabshah (Sind), Bhutto admonished peasants that (in the press reporter's words) "if instead of working harder they just kept running after the Prime Minister and other Government leaders with complaints of ejectments and non-availability of seed, the peasants would achieve nothing". *Pakistan Times*, January 18, 1974. The government also expressed concern about the failure of landlord-tenant relations to "stabilise" after the promulgation of the land reform. See Report to the Agricultural Enquiry Committee, Government of Pakistan (draft). Islamabad, June 1975.

71 Data from the Federal Land Commission Reinstatement of evicted tenants even after courts ordered restoration, proved a major obstacle to implementation of the tenancy in Ceylon's 1958 Paddy Lands Act. In that case, inability to restore tenants quickly and the uncertainty surrounding the restoration proceedings prevented many, probably a majority, of the evicted tenants from going to court and discouraged others from demanding newly-legislated legal rights.

72 Ordinance No II of 1977, Government of Pakistan. The full text was printed in the *Pakistan Times* January 6, 1977. An estimate of the ratio of compensation to market value by a senior revenue officer is one-third. Market prices are so inconsistently related to Produce Index Units that any estimate is only approximate.

73 "Bhutto Speeches", Vol II, p 157.

74 *Fakistan Times*, January 6, 1977.

75 I have used land revenue data on holdings wherever possible in this section because it was collected in 1976, four years after the census, and presumably reflects operation of the 1972 reforms. However, the Revenue Department data for Baluchistan are internally inconsistent and obviously inaccurate. The census data (1972) for Baluchistan suffer from the omission of the Mari Bugti area, but addition of that area would strengthen the case in the text. Moreover, it is reasonable to use the data to judge the politics of reform because they are the information, whether accurate or inaccurate, that the Prime Minister had before him in making policy decisions and were collected for just that purpose.

76 In signing the Charter, Bhutto said, "All power to the peasants. May Allah bless them and their children". For an official treatment of the charter, see *Pakistan Affairs*, Washington, DC, January 1, 1977.

77 There are regional differences in the officially-designated 'subsistence holding': 12.5 acres in the NWFP and Punjab, 16 acres in Sind and 32 acres in Baluchistan.

78 Ordinance No III of 1977, Government of Pakistan. For the Finance Minister's explanation, see *Pakistan Affairs*, Washington, DC, February 1, 1978.

79 The details are specified in Sections 1 and 2 of the Ordiance. The accounting procedure would estimate income as a multiple of the Produce Index Unit rating of the land. The setting of that ratio is the source of the differential impact of the tax, since productivity even on comparable land varies significantly. The critical question is whether the mechanism would be set to allow inefficient producers to continue with a moderate tax rate (leaving efficient producers with lightly taxed profits) or to tax the profits of efficient producers at a level comparable to the rate on urban income, imposing a very heavy tax burden on inefficient producers.

80 I have reluctantly excluded from this section any discussion of Bhutto's abolition of 'feudal dues' (*ushr*, etc) for lack of reliable information.

81 V I Lenin, 'Theory of the Agrarian Question' in *Selected Works*, Vol 12, International Publishers, New York, p 331.

82 For a theoretical treatment of the patron-client model of politics in agrarian societies, see James C Scott, 'The Erosion of Patron-Client Bonds and Social Change in Rural Southeast Asia', *Journal of Asian Studies*, November 1972. The use of Government programmes and resources to build client networks to support dominant political parties is well-developed in India, particularly through co-operatives.

83 For powerful theoretical insights on the uses of symbols in politics and public policy, see Murray Edelman, "The Symbolic Uses of Politics", University of Illinois Press, Urbana, 1962, and "Political Language: Words that Succeed and Policies that Fail", Academic Press, New York, 1977.

84 Press conference explaining the 1972 reforms, March 2, 1972.

85 The National Charter for Peasants and the 1977 ceiling ordinance too begin with the same evocation.

86 The extent of political uses of land reform is difficult to ascertain without detailed village-level studies, but the belief that land reform is used to reward friends and punish enemies is widely shared. For example, one provincial opposition leader argued against the centralisation of the land reform apparatus in Rawalpindi, claiming that the "Government wanted to snatch away land given to certain people by the Provincial Land Commission and offer it to persons favourably disposed towards it politically", *Business Recorder*, April 12, 1974. The belief alone, even if ill-founded, would serve some important political functions. As explained in Note 58, supra, there is good evidence that these perceptions were well-founded.

87 'Martial Law Regulation No 115', *Gazette of Pakistan, Extraordinary*, March 11, 1972, pp 291 ff, Part IX, 31.

88 Other political parties had promised even lower ceilings, down to 25 acres, before the 1977 elections.

89 Karl Marx, from "Theories of Surplus Value", cited in Lenin, "Theory of the Agrarian Question", *op. cit*, p 331.

90 "Bhutto Speeches", p 219.

91 In this, I concur with Hamza Alavi, but question his strict dichotomy between landowners and bourgeoisie and would stress the integration of landowning families into urban and rural non-agricultural eterprises. See 'The State in Post-Colonial Societies', in Kathleen Gough and Hari P Sharma (*eds*), "Imperialism and Revolution in South Asia", Monthly Review Press, New York, p 145-73.

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nancing Economy-Wide Wage Subsidies

A Response to Kesselman

Kaushik Basu

ATHAN R KESSELMAN provides xtremely valuable survey of fiscal ies for employment generation mulating Fiscal Policies to Expand oyment in Indian Industry", *EPW*, mber 1, 1979). This note is a res- to his paper in general and his on V in particular, where he dis- s at length the problems of fin- g wage subsidies in dual economy els of the Harris-Todaro (HT) type. note argues that some of the con- ons reached by Kesselman in this on are untenable; and it also re- on some of the recent researches his area.

any LDCs are characterised by a l urban sector with rigid wages and ge rural sector with low but flexi- wages. This wage-gap typically es imbalances in these economies. e LDCs would gain from a larger loyment in the more productive n industrialised sector. The obvious y seems to be to give a wage sub- to the urban sector. But in the model, employment creation in the n sector induces a rural-urban ation larger than the number of created. One way of preventing migration is to give a wage sub- to the rural sector as well. This he intuitive basis of economy-wide e subsidies suggested by Bhagwati Srinivasan in 1974.

esselman argues that economy-wide e subsidies are usually infeasible. example which Kesselman uses to blish his point will be used here llustrate some of the issues involved. before considering his example let briefly recapitulate the HT model.

I

Migration and Unemployment

t is assumed that the urban wage ixed at w and the marginal product abour in the rural sector is m, and s greater than m. Let A, B and L he rural employed, urban employed ur and the total labour in the eco- y. It is assumed that there is no n unemployment in the rural sector. s the total unemployment is equal the urban unemployment which is al to L — A — B. In most LDCs there ersistent urban unemployment; and of the central aims of the HT del is to explain this phenomenon.

If there is positive urban unemployment, a prospective migrant cannot be sure of finding a job. In the HT model, the probability of finding a job is represented by the rate of urban employment, B/(L — A). Hence expected earnings in the urban sector are given by wB/(L — A). Employment being guaranteed in the rural sector, rural-urban migration will continue as long as the expected urban wage is greater than m. As migration takes place L — A becomes larger and the expected urban earnings fall. Equilibrium is attained when

$$wB/(L - A) = m \qquad (1)$$

Given $w > m$, it follows that $L - A - B > O$. Thus a HT equilibrium is characterised by the existence of positive unemployment. Further implications of this model are discussed later. It should be stressed that the analysis presented is an extremely simplified version of the HT model. Many of the variables assumed constant here (e g m) are treated as variables in the original HT analysis.

II

Kesselman's Argument

Harris and Todaro (1970) had argued that no *single* policy measure could remove unemployment and ensure an efficient rural-urban distribution of labour. Beginning with Bhagwati and Srinivasan, a number of papers were published in which it was shown that there exist economy-wide wage subsidies which, within the confines of the HT model, guaranteed efficiency. The Bhagwati-Srinivasan subsidy, S*, in the above simplified HT model is equal to w — m. I argued in Basu (1980) that while S* is an optimum subsidy, there exist other optimum subsidies and one of them is an economy-wide subsidy of a magnitude equal to the urban wage. Let us denote such a subsidy by $\bar{S}$. Clearly $\bar{S}$ (=w) $\geq$ S* (=w−m). I had argued that the main advantage of $\bar{S}$ over S* is that the former is easier to compute (being informationally less demanding) than the latter in the more general HT model where m is flexible.

Kesselman argues that subsidies as large as $\bar{S}$ and S* cannot be doled out across the economy on practical grounds and because it may be literally infeasible. He establishes his argument with an example in which the subsidy bill turns out to be larger than the national income. While his proposition is valid, his example is not consistent with the HT model. This is easy to see.

In his example (note 15) w = 1.5m, urban labour force size = .2L and rural labour force size = .8L. From this he derives the average wage in the economy to be 1.1m. Evidently he derived this from the following weighted average: $\{(.2L)(1.5m) + (.8L)(m)\}/L$. But this is inconsistent with the HT model because this assumes no unemployment. With the urban wage 50 per cent above the rural wage, unemployment is a must in the HT model. Further, (1) implies that $B = (m/w)(L - A) = (1/1.5)(.2L) = 2L/15$. Hence the average wage is $\{(2L/15)(1.5m) + (.8L)(m)\}/L = m$. Thus the average wage is equal to the rural wage (and not equal to 1.1m). This is not a special feature of this example, but is always so in the HT model.

This correction however leaves Kesselman's conclusion valid. The wage bill in this example — even after the necessary correction — does exceed the national income.

But from this to conclude that economy-wide subsidies are (a) infeasible and (b) that wage subsidies should not be given to the rural sector is not a valid inference. If all subsidies were financed out of a balanced budget then clearly it is infeasible in the above example. But certainly a government could resort to deficit financing, particularly by printing money. Consequently, a subsidy of the kind discussed in Bhagwati and Srinivasan (1974) and Basu (1980) need not, *in principle*, be infeasible. It may nevertheless be *undesirable* when we take into account the distortionary consequences of financing the subsidy. This is discussed in section III.

Now (b) does not follow from Kesselman's argument. What Kesselman does effectively highlight is the fiscal problem associated with a *large* subsidy. If a large economy-wide subsidy is being curtailed, it is not at all clear that the axe should fall on rural subsidies. In fact it can be shown that a pruning of subsidies across the economy is, on efficiency grounds, preferable to axing only rural subsidies.

Thus Kesselman's argument that since the revenue requirement of an economy-wide subsidy of the size $\bar{S}$ or S* may be too large, and "for this reason, we shall not consider the provision of agricultural wage subsidies"

seems indefensible. This is not to deny the possibility that there may be important administrative reasons for not subsidising rural labour.

III

Recent Developments

The important problem of financing wage subsidies in dual economy models, the neglect of which Kesselman highlights, has however received some attention in recent years.

There are two ways in which the question of subsidy finance may be introduced in these models. Firstly, we could assume that there exists a maximum amount of money that can be raised without distortionary effects. And that no subsidy which exceeds this maximum amount is feasible. Secondly, we could assume that every rupee raised has some distortionary effect which increases in magnitude as the subsidy bill becomes larger. The point at which the distortionary effect of raising one more rupee becomes as large as the benefits of an additional rupee's worth of subsidy is the optimum point. This optimum subsidy will certainly be smaller than the Bhagwati-Srinivasan subsidy.

The first method has recently been investigated by Blomqvist (1979). He assumes that the government can impose a certain maximum amount of non-distortionary lump-sum tax (Rs A) and that a certain amount of external assistance is available (Rs B). The sum of these two is the *maximum* amount of subsidy that can be doled out. How much subsidy should be given in this situation? The answer is quite comcomplex in Blomqvist's relatively sophisticated model. But it is quite straightforward in the simple HT analysis. It can be proved that in the HT model an economy-wide wage subsidy and social welfare are related in a weak monotonic way (see Basu, 1980). That is, as the subsidy is raised, social welfare does not fall. Thus it follows that the entire amount of money raised (Rs A + B) should be doled out in subsidies.

The assumption of a large amount of non-distortionary funds being available is quite untenable. External assistance typically has to be repaid in kind or otherwise. Lump-sum taxes in practice are seldom non-distortionary. Thus the second method is probably more realistic. While here again Blomqvist (1979) has made some contribution, the scope of further research is immense. Blomqvist assumes that a government can raise money through import tariffs. And for any subsidy bill exceeding Rs A + B, money is raised through a tariff and this has distortionary effects.

One interesting possibility is to investigate the consequence of financing subsidies by printing money. To do this it is essential to generalise the HT model by introducing money and time. Once this is done it should be quite clear that financing a subsidy by printing money will be inflationary. As more subsidies are doled out, unemployment would be expected to fall but inflation would increase as suggested by the Phillips Curve. Some tentative analysis shows that in a model with zero inflationary expectation, a subsidy equivalent to S* would cause an inflation of $(w/m - 1)$ 100 per cent. In Kesselman's example therefore, a subsidy of S* (the Bhagwati-Srinivasan subsidy) entails an inflation rate of 50 per cent. Given that such high inflation is unacceptable to most nations, the optimum subsidy in this more realistic set-up will be well below S* (Basu, 1980a).

Sub-optimality of savings is a chronic problem in LDCs (though present-day India is an exception) and received much attention in most dual economy models of the sixties (Sen, 1975). But for some reason this problem has not been considered in the context of dual economy models of the HT type. It is important to incorporate savings generation as an explicit objective in formulating optimum subsidies. As a larger subsidy bill is met by taxing profits or printing money it is likely that the level of savings will tend to drop. Thus the optimum subsidy is likely to be even smaller than suggested above. This, it should be stressed, is a conjecture and some formal analysis is required before a more definite answer can be provided.

Also there is a case for looki yond simple subsidy measures t the ailments of a HT economy. improvement of labour market in tion, taxes to discourage a high turnover and other suggestions been made occasionally (see 1975; Blomqvist, 1978); but much remains for further research.

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A voluntary agency initiative in support of the situation of rural labourers requires two field workers for the senior post of Group Services Organisers. Further details available from the Programme Co-ordinator, P.O. Box 32, Damoh, M.P. 470661 until 30th April 1980.

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Editorial Staff
K Vijayakumar, A A Dalvi
Manager J K Thakkar
ertisement Manager R Venkiteswaran

Entryism in Action

THE national council of the RSS has decided during its three-day deliberations at the party headquarters at Nagpur on March 21-23 that "nothing needs to be done" in the matter of that apparently never-ending controversy over "dual membership", since the most that the RSS was expected to do by way of accommodating the reservations of many Janata leaders on the issue had already been done in its statement of July 24, 1979.

That statement, it may be recalled, had been virtually forced out of the RSS when the Morarji Desai government was facing the no-confidence motion, but its placatory promise that leading functionaries of the organisation would not be permitted to be members of a political party did not go far enough to save the government. The statement merely reaffirmed, in different words, the provision in the organisation's constitution which lays down that a member of the RSS who is an office-bearer of a political party cannot seek an elective post in the organisation or be appointed to such a post so long as he is such an office-bearer. However, the whole controversy over 'dual membership' pertains not so much to prohibiting an office-bearer of the RSS from being a leading functionary of a political party, but to barring leading functionaries of a political party — in this instance, the Janata — from being members of the RSS.

If the RSS can hardly make a persuasive case of its reluctance to impose such a ban — it is not for the RSS to impose restrictions on the activities of members of other parties — the Janata party's own anxiety to put on the 'secular' garb is not very convincing. Leaving aside the longstanding and happy co-existence of 'communal' and 'secular' elements in parties like the Janata and the Congress — a state of affairs only occasionally disturbed as part of tactical manoeuvres by opposing factions within the parties — it should be noted that even the ban recommended by the Janata Parliamentary Board on March 18 applies only to 'legislators and office-bearers' of the Janata; ordinary members of the party are still free to continue their association with the RSS.

Leaving the Janata to stew in its own juice, the RSS national council has at the Nagpur meeting adopted four other resolutions having nothing to do with the internal problems of the Janata party. These, touching upon the situation in Assam, other areas of the northeast, Kerala and incidents of violence against 'harijans' in the north, are indicative of the present political concerns of the organisation. It should be noted that the RSS looks at the current situation in the northeast 'dualistically'. While the agitation in Assam against 'foreign nationals' is described as a "massive people's movement" seeking solution to a problem which has come about as a result of a "deeply laid political conspiracy of planned Muslim infiltration carried out over the last several decades", the agitation in Meghalaya is grouped with insurgent movements of varying intensities going on in Nagaland, Manipur and Mizoram, the common aim of all of which is to "generate feelings of hatred against people from other provinces residing there by depicting them as foreigners". According to the RSS, all these movements (including the one in Manipur) are inspired by foreign Christian missionaries who have instigated and misled the simple tribals into secessionist activities. Similarly, the attacks on agricultural labourers who suffer further from caste disabilities are basically due to "personal rivalries" which are however taken advantage of by "selfish and anti-social elements". The resolution on Kerala is a more simple and straightforward call for Central intervention: "Marxists who are loud in complaining that the Centre is manoeuvring to topple their duly elected state governments must realise that they too have an onus on themselves to uphold the same fundamental democratic right of all organisations in the state to carry on their legitimate activities unhindered. The Sabha apprehends that the situation may become uncontrollable if the basic civil rights of the people are curbed and a situation may develop in which the people may lose faith and confidence in the government."

The refusal of the RSS to make even a gesture to the Janata was perhaps influenced by its conviction that nothing can now probably save the party. But the Janata in its last throes is showing signs of some brisk movement. In the next few weeks, there will be at least four conventions or meetings, at each of which claims are to be made about the genuineness of the article. A convention of the supporters of Jagjivan Ram is scheduled for March 29 where his claim to be the leader of the 'real' Janata is going to be formally announced and a possible identification mark 'J' might be appended to his

Janata party as a sign of its authenticity. On April 3, while the national executive of the Janata party under Chandra Shekhar is expected to endorse its parliamentary board's decision banning the participation of its legislators and office-bearers in RSS activities, Raj Narain is to have a convention of his own (revived) Janata (S). The Jana Sangh elements of the Janata are also scheduled to meet immediately after the national executive meeting of the Janata, no doubt to announce that they are the 'real' Janata and distinguish themselves with yet another mark of authenticity. But when the dust finally settles down, the only winners to emerge from the current struggles in the Janata are likely to be Indira Gandhi and the RSS.

Money and Credit

Data in a Shambles

THE Governor of the Reserve Bank has this week again met the chief executives of the major banks, reviewed the economic and monetary situation, emphasised the need for continued credit restraint and, reflecting the political changes in New Delhi, paid obeisance to the 20-point programme. At the same time, however, the task of assessing the monetary and credit trends has been rendered virtually impossible by the chaotic state to which the Reserve Bank's monetary data have been reduced. To this aspect the press communique on the Governor's meeting with the bankers makes no reference.

According to the Weekly Statistical Supplement to the Reserve Bank's *Bulletin*, money supply (M1) expanded by Rs 2,471 crores (or 11.3 per cent) during 1979-80 (upto March 7) compared with an expansion of Rs 2,784 crores (or 15.1 per cent) during the corresponding period of 1978-79. However, these figures are not comparable. The 1979-80 figure is over the base of March 30 which was the last Friday of the preceding financial year, while the 1978-79 figure is over the base of March 31. Using some figures provided in the November 1979 issue of the Reserve Bank's *Bulletin*, money supply expansion in 1979-80 (upto March 7) works out to Rs 2,303 crores (or 10.4 per cent).

Even these figures may not be comparable because the basis of classification of savings deposit balances into demand and time components was revised from August 1978. As a result, the demand component of savings deposits declined from 86.9 per cent in March 1978 to 60.3 per cent in March 1979. This has added over Rs 2,000 crores to time deposits, thereby reducing money supply by a like amount. This change may not have been completed by the banks by March 1979 and the process of change-over may have continued into 1979-80. The point is that the figures for the earlier years should have been adjusted by the Reserve Bank for the sake of comparability. There is no evidence of such a thing having been done.

Yet another problem relates to the analysis of the 'sources of change' in money supply. It is obvious that some accounting lapse somewhere is causing unusually large figures of 'net-monetary liabilities' of the Reserve Bank and of 'residual'. The Reserve Bank data place the variations in non-monetary liabilities at Rs 344 crores and in 'residual' at Rs 1,463 crores in 1979-80 (upto March 7), compared to — Rs 140 crores and + Rs 183 crores, respectively, in the whole of 1978-79. One explanation for the large figure of 'residual' during 1979-80 could be the inclusion of participation certificates issued by the banks in favour of other financial institutions. But these certificates had been in vogue even in March 1979 (Rs 490 crores) and March 1978 (Rs 307 crores). But as banks were asked to include participation certificates in bank credit from July 27, 1979, the entire figure of participation certificates is going to swell the increase in bank credit to the commercial sector in 1979-80 which has shown an expansion of Rs 4,616 crores in 1979-80 so far, compared with Rs 4,111 crores during the corresponding period of 1978-79. In fact, the increase in participation certificates was only Rs 183 crores during the entire year 1978-79 and in 1979-80, upto March 14, there was actualy a decline of Rs 23 crores in participation certificates.

Even allowing for the variation in participation certificates, the rise of Rs 1,463 crores in 'residual' remains largely unexplained. With an unexplained item of such a large magnitude, obviously little credence can be attached to the Reserve Bank's banking and monetary statistics. What is more, this situation has now persisted for years, but the Reserve Bank has been totally indifferent to all criticism of its banking and monetary statistics.

Monetary Policy

More for All

BRAVELY deciding to leave asi data problems, the view of the and monetary trends that emer broadly as follows. The expans money supply in 1979-80 may been somewhat lower than in 19 perhaps by 4 to 5 percentage p once fuller account is taken o classificatory changes and the f for March 31, 1979 (instead of for the last Friday) are used as base. Money supply in the br sense (M3) expanded by Rs crores (15.2 per cent) a Rs 6,287 crores (19.1 per cent) year (both on March 31 basis). ever, there has occurred for the se successive year a phenomenal inc in 'currency with the public' Rs 1,608 crores (15.7 per cent) d March 31, 1979 to March 7, compared with Rs 1,640 crores per cent) in the comparable perio 1978-79. In absolute terms, the rency expansion in the two years thus been almost equal. How last year the expansion occurred p because the Reserve Bank's for exchange assets had risen by a Rs 742 crores whereas this year rise in them has been only Rs crores. It may be that inward re tances have continued at the s rate as in 1978-79, but this year trade deficit has almost comple neutralised the remittances. Be as it may, the persistence of such l expansion in currency should be c sidered disquieting.

Total domestic credit has expan unprecedentedly in 1979-80. Net b credit to government gallopped Rs 3,329 crores (or by 21.5 per c in 1979-80 (upto March 7) which twice the increase in 197 (Rs 1,656 crores or 12.3 per c Reserve Bank's credit to governm rose by Rs 1,684 crores aga Rs 1,141 crores last year. And, clusive of participation certific bank credit to the commercial se expanded by Rs 3,947 crores du 1979-80 against approximately Rs 3, crores during the comparable pe last year. Non-food credit by s duled commercial banks (again exc ing participation certificates) w work out to about Rs 2,627 crore 1979-80 as compared with Rs 2, crores last year.

Domestic credit expansion in 197 has thus been even more disquie

the already alarming levels of the ous year. This has to be seen, urse, against the price and out- situation. During the calendar 1979, the index of industrial pro- on has shown no rise virtually. est it may show a rise of 1 per against an increase of 6.9 per in 1978. Yet bank credit to the ercial sector for non-food pur- expanded by over 16 per cent op of an increase of 22 per cent 78-79. One does not have to be ntity theorist or an unreconstruc- monetarist to suspect that these opments must have had more a little to do with the rise of 21 ent in the general index of whole- prices in 1979-80 (upto March 22). the year, prices of manufactured ucts have risen by 28 per cent. individual manufactured commo- s, other than sugar and edible oils, rise has ranged between 16 per and 30 per cent. Sugar and e oil prices have increased by 122 cent and 44 per cent, respectively. articles have shown an increase of er cent and, within the group, food- s of 15 per cent. Non-food arti- have shown a rise of 21 per cent amongst them, oilseeds of 42 per Mineral prices have shot up by per cent.

he uncontrolled increase in liqui- in the economy in the past few s has undoubtedly contributed lsomely to this high level of infla- . Under the existing system of tioning initial credit limits and nitting parties to use them depend- on their own ideas of valuation of ks, however much the Reserve k may fret and fume, it will con- e to have precious little control credit expansion. So will bank agements. The initiative will re- n firmly with the large and medium rowers. The Reserve Bank, it will no exaggeration to say, has become assive observer of credit expansion both government and the commer- sector.

he Reserve Bank's persistence in scribing ceilings on credit expansion therefore, rather amusing. Now as lengthened the period covered the 12 months of 1979-80 to the nonth period from end-March 1979 end-June 1980 and stipulated credit expansion during this period uld not exceed that during the 15- nth period from end-March 1978 to -June 1979. One quarter being mon to the two periods, individual ks can circumvent the target in many ingenious ways.

The Reserve Bank Governor has, as mentioned at the outset, exhorted the banks to actively participate in implementing the 20-point programme. It has been emphasised that even within priority sector advances, increasing attention be paid to the underprivileged sections. But is this just a matter of exhortation or is it also necessary to ask whether banks are equipped in terms of their organisation and attitudes to lend to the weaker sections? And is there any aspect of official policy which induces them to show special consideration to these sections? Further, if the ceilings periodically prescribed on overall credit expansion are to be taken at all seriously, should not restraint on drawals of credit by the bigger borrowers, through raising effective interest rates for them and by enforcing stricter norms of lending, be the logical corollary to expecting banks to lend more to the smaller borrowers? To ignore this, as the Reserve Bank has once again done, is to reduce its commitment to the weaker sections to the status of a politically expedient slogan.

Nagaland

Centre's Manoeuvres

THE claim of Vizol, chief minister of Nagaland, that Indira Gandhi as well as several other Central leaders have assured him that they do not intend to topple his government only underlines his fears in this regard. Vizol was in trouble anyway since the dismissal of his deputy, S C Jamir, last October; and developments since then — which have apparently caused the Nagaland chief minister to engage in a bit of public wishful thinking — suggest that the Congress under Indira Gandhi will not allow its ambitions to be thwarted even in a 'sensitive' state like Nagaland.

It is still not clear what actually caused the break between Vizol and his deputy. The chief minister's charge was that the deputy chief minister had been persistently 'mishandling' his portfolios and that many complaints of 'misuse of power and mismanagement of financial affairs' had been piling up. But these, mere allegations, cannot explain the chief minister's summary action, particularly in view of the fact that Jamir had not entirely lost the confidence of the party. Indeed, two months after Jamir's dismissal, at the seventh annual conference of the ruling United Democratic Front (UDF), the party president was calling for a reconciliation between the two leaders.

The political nature of the dispute is still unclear, except that at the time these vague charges were brought against Jamir, there were differences within the UDF on who should be the party's candidate for the Lok Sabha polls. That the action against Jamir was not related to mere allegations of corruption and mismanagement became evident within days of the UDF annual conference when another minister, equally arbitrarily and vaguely accused of 'corruption', also resigned.

The return of Indira Gandhi as Prime Minister and, more immediately, the defeat of the UDF candidate in the Lok Sabha polls have naturally created more problems for the Vizol administration. Earlier this month, former chief minister Jasokie had announced that the Nagaland Congress, the new National Convention of Nagaland and some independents were planning to come together and form a new regional party in Nagaland. According to Jasokie, he and Hokishe Sema had already met Indira Gandhi and apprised her of their intention to form the party. The self-assurance by Vizol that his ministry won't be toppled, which has been followed less than a week later by the news that three UDF MLAs have quit the party, has to be viewed against the background of these developments.

Clearly, Vizol is in trouble; and whether he still enjoys majority support in the assembly would become clear in the ensuing election for the Rajya Sabha seat from Nagaland in which the UDF nominee faces a strong candidate of a united opposition. Should the UDF nominee lose, it would be difficult to resist a 'mass movement' away from the UDF, and one might see another Haryana or Karnataka enacted in Nagaland as well.

But even if the UDF candidate were to win, the troubles for Vizol himself appear unlikely to end since the UDF is perceived by the Congress (I) as more or less a party of the opposition and a government formed by it as deserving the same treatment as meted out to other non-Congress(I) governments The UDF's platform was strongly anti-Congress and the party's victory both in 1974 and in 1977 was rightly seen as a rejection of the line of confrontation that the Centre under Indira Gandhi was following *vis-a-vis* the problem of insurgency and peace in Nagaland. This is not surprising, for the whole series of

manoeuvres that finally led to the overthrow of the earlier UDF government in March 1975 were managed by the Congress and Nagaland had the 'distinction' of going through the entire period of Emergency under President's rule; and the even more clear victory won by the UDF when elections were finally held in November 1977 was clearly a slap in the face of the Congress. That score still remains to be settled.

While the destabilisation of the UDF government might be part of Congress (I)'s settling of scores with Janata and its presumed friends and supporters, an indication of the essential continuity of the Centre's policy *vis-a-vis* the problem of insurgency and peace in Nagaland can be had in some other recent developments, particularly the intensification of tribalism in the state. The undermining of Naga nationhood has been a consistent aim of the Centre, for only thus could the Centre hope to break the back of insurgency in Nagaland. The many splits engineered in the insurgent ranks in the late 1960s marked one phase of those efforts and it was even believed that with the well-publicised 'surrenders' and the dissolution of the so-called 'Revolutionary Government of Nagaland', that task had been accomplished. But developments since then, particularly the apprehension that the insurgency itself might be taking on a more disagreeable form by acquiring a marxist dimension, have led to renewal of the efforts. The latest of these is the burgeoning movement in the Mon and Tuensang areas for their separation from Nagaland and constitution as a Union Territory, which is widely believed to have the blessing and support of the Centre.

Indian Ocean

The Other Presence

A Correspondent writes :

THE strategic importance of the Indian Ocean has been sharply heightened by the Russian military intervention in Afghanistan. So far governments in this region, the Government of India especially, have been preoccupied almost exclusively with the US presence in the Indian Ocean. Indian assessments, official and non-official, of the military situation in the Indian Ocean area have also included exaggerated accounts of Pakistan's naval build-up. However, there has been a general silence on the Soviet presence. This attitude of not facing reality has become more untenable than ever after the recent developments in Afghanistan.

The Indian Ocean is important from several angles. Some of the world's richest oilfields are located on it. Every 20 minutes or so, it is estimated, an oil tanker passes through the Persian Gulf and the Strait of Hormuz. Sixty per cent of Europe's, 90 per cent of Japan's and 20 per cent of US oil supplies are from this region and pass through here. The mid-section of the Indian Ocean is a major trade route towards Japan and Australia. Maldives, Mauritius and Sri Lanka are thus strategically important. Moreover, the Malacca Strait, with its corridors towards the South China Sea and then the Pacific, further enhances the importance of the Indian Ocean. The region is also a major source of important raw materials such as iron ore, mica, rubber, oil, coal, etc.

The Soviet Union's naval presence in the Indian Ocean was relatively small till about 1968. But in the last 12 years it has expanded to an extent that the Soviet Union has caught up with and even surpassed the US. This has been part of an all-round expansion of Soviet naval forces during this period. Between 1965 and 1980 there has been a phenomenal growth of the Soviet navy. In the north of Scandinavia, Soviet Union has one of its largest naval bases, Murmansk, which is one of the few ice-free nuclear U-boat stations it possesses. The Soviet Union has consistently tried to acquire a base in Iceland and has a conflict with Norway over the Norwegian island of Svalbard. The Soviet Union had accepted that Svalbard was Norwegian till 1935, but since then has claimed it as Soviet territory. Another region where it is present is the Baltic Sea with its corridor towards the North Sea. The Soviet Union is present in the Mediterranean and has bases in Libya and Algeria. It had approached Malta after the withdrawal of British forces from there, but its overtures were turned down (leading the Soviet Union to attack Malta during the Helsinki Conference in 1975 for its "small state chauvinism"). It had access to Alexandria in Egypt till 1973. It is present in South China Sea and is reported to have naval bases in Vietnam.

The Soviet Union started with a small naval force in the Indian Ocean. In 1974, it secured Berbera in Somalia as a naval base. In 1977, it acquired Aden in South Yemen and its Socotra island for its navy. In 1978, it aproached the Maldives and Mauritius governments for base facilities, but its requests were rejected. In 1977, the Soviet Union switch Somalia to Ethiopia and, in re backing the Ethiopian junta the Eritrean liberation movem ceived Massawa as a base. (tally, Massawa and Aden wer time the most important NAT in the Indian Ocean.) And cently the Soviet Union ancho ship at the opening of the Strait. This move took place a Soviet military intervention in nistan and has been part of the stepped up movements by the navy in the Indian Ocean in weeks.

In terms of the number of s the Indian Ocean, the Soviet U now reportedly ahead of the U sides, the Soviet Union and its have troops and military advis Ethiopia, Syria and South Yeme has docking facilities at various including many Indian ports. refuelling ships for its naval air in mid-ocean.

One reason why the Soviet U armed intervention in Afghanista raised such a hue and cry in pla far away as Sweden and Norwa the dwindling oil and other m resources of the Soviet Union. Soviet Union has long been a porter of strategic metals such as per, zinc, aluminium, cobalt, etc, simultaneously its exports of plati nickel and titanium have decre Further, most of the Soviet Un present oil output is from old oil such as those in Baku. The known untapped reserves of oil i Soviet Union are in Siberia, but are many hurdles in the way of commercial exploitation. The S Union lacks the immense capital technology required to develop region. The Soviet Union st negotiations with Japan in the for supply of capital and techno but these negotiations have bee fructuous so far. The West Asia fields are, therefore, vital to the S Union from the point of view o future oil supplies and it is fe that Afghanistan could be the m needed springboard towards the sian Gulf.

A vital aspect of the Soviet Un naval planning for the Indian O area is the close relationship it established with the Indian navy. Indian navy, built up largely thr Soviet aid and trained by the So Union, is a major factor enhancing Soviet naval presence in the In Ocean. The formal underpinning

relationship is provided by the -Soviet Treaty of Peace and ndship under which India is bound hare the Soviet Union's strategic ary and political concerns.

early, the emerging military situa- in the Indian Ocean is far more complex than the current one-sided emphasis on the US presence makes it out to be. For India particularly the situation is fraught with grave dangers of unwanted involvement in the developing competition and tensions between the two super powers.

TTERS TO EDITOR

Revolutionary Writers and Artists

S is the era of imperialism and ld proletarian revolution. In this peoples' struggles against imperialism native reaction have been forging d under the leadership of revolu- ary forces in various countries. In a situation it is not possible for ers, artists and intellectuals to re- even a semblance of neutrality. ntaneously or consciously, they are g obliged to declare themselves er for or against the peoples' strug- . The enemy camp is united and anised for suppressing these strug- . That is why those who want to d by the peoples' struggles are not e to play any significant role in the ence of united organisational frame- k. It is this realisation which has uced us to issue a call for building a vanguard organisation of cultural rkers in West Bengal.

We are firmly determined to stand the peoples' anti-imperialist and i-feudal struggles. It is our res- nsibility to help in building up the w Democratic Revolution in the ht of Marxism-Leninism-Mao Zedong ought. We wish to discharge this ponsibility by using art and litera- re and other cultural media as in- uments of struggle.

For performing this specific task we ll do away with feudal ideology. We so consider it our task to oppose the urgeois ideology radiated by the im- rialist culture propagated under the dership of US imperialists. Simul- neously we want to build up a strug- e against the renegade revisionist eology, the enemy of the Bolshevik volution. We shall therefore have to nd firmly against chauvinism, hege- onism and class-collaboration created imperialism and social-imperialism. o this end we declare our uncom- omising opposition to the colonial erature and culture employed in the rvice of highbrow intellectuals and the ealthy classes. We declare unequivoc- ly our intention to build up, out of e basic ingredients of the folk culture, t and literature serving the people and develop the progressive strain in Bengal literature.

We shall direct our cultural programme towards our future goal, keeping in mind the specific needs of the present and making creative use of popular art forms. We shall try to unite the people and to inspire them in their struggle through the media of music, novels, dramas, short stories, poems, essays, cultural functions, exhibitions of painting and sculpture, films, newspapers and magazines. We shall uphold the truth that the people and revolutionary forces are in the ultimate analysis great, glorious and invincible. To that end we shall carry on ceaseless struggle to effect the development of dialectical materialist thought in a scientific manner.

We call upon writers, artists and other intellectuals (individually or organisationally) who are in agreement with the above aims and objectives to actively unite with our efforts. We also express our desire to unite with all other patriotic intellectuals who are not in full agreement with our aims and objectives, retaining our ideological identity intact.

SAMAR SEN, DEBABRATA PANDE, MAHASWETA DEVI, TIMIR BASU, HEMANGA BISWAS AND OTHERS
Conveners' Council for the Preparatory Conference of Revolutionary Writers, Artists and Intellectuals, West Bengal.

Calcutta
March 15

Ganging Up against the Left

THE note on Assam ('Ganging Up against the Left', March 1) cites few cases of alleged attacks on party offices and workers of CPI(M). In the present political situation, such incidents of attack on party offices and inter-party clashes have become common and an impartial observer would have dismissed the alleged incidents in Assam as such. In West Bengal there are reports of attacks on the offices of the non-Left Front parties and of party workers being killed in inter-party clashes. Do the reports of such incidents in West Bengal mean that there is an effort by the Left Front parties to gang up against non-Left Front parties there? It appears that there is a concerted effort by vested interests to malign the movement in Assam and to demoralise the people of Assam in their fight against the infiltrators. Baseless charges are levelled against the organisers of the movement to shroud the main issue of foreign nationals by the non-issues. The referred to note, which fails to mention the problem of foreigners, is one such example. The continuous outbursts of CPI(M) leaders mainly from West Bengal advocating the cause of foreign nationals may be due to their possible influence among the foreign nationals now in Assam and their fear of losing support of these large number of foreigners if they are deported.

Kanpur P C MATHUR
March 23

Cherabanda Raju Aid Fund

CHERABANDA RAJU stands in the front ranks of revolutionary writers in Andhra Pradesh. He has excelled most other poets of the 'burning decade', or the Naxalbari generation, in bridging the gap between the intelligentsia and the masses by means of his powerful and popular songs.

Belonging to poor peasant stock, he had been employed as a teacher of Telugu in a government school at Hyderabad until he was implicated in the Secunderabad Conspiracy Case in 1974. Ever since, he has been struggling to make both ends meet for himself and his two young children. He has braved police searches and raids and both the PD Act and MISA. But his dauntless spirit notwithstanding, he has fallen seriously ill, first with ulcers and now with brain tumour.

I, therefore, appeal not only to writers and writers' bodies all over the country but to all those interested in furthering the vital cause of our countrymen, to come forward with donations to help in Cherabanda Raju's treatment and in the maintenance of his two children. MOs, drafts and cheques may kindly be sent in my name (Andhra Bank, Kavali, Savings Account No 1035), my address being 11-33-957, Kavali, Andhra Pradesh, Pin 524202.

Secretary, K V RAMANA REDDY
Revolutionary Writers' Association,
Kavali, March 10.

Index Numbers of Wholesale Prices (1970-71=100)	Weights	Latest Week (8.3.80)	Variation (Per Cent) Over Last Month	Over Last Year	Over Mar 31, 79	In 78-79	In 77-78	In 76-77
All Commodities	1000	230.2	1.5	22.3	20.8	−0.1	5.1	2.1
Primary Articles	417	215.2	1.6	18.6	19.0	−1.4	9.7	0.8
Food Articles	298	189.2	1.8	11.3	11.6	−0.7	11.7	−5.1
Non-Food Articles	106	206.6	1.7	17.7	18.7	−4.6	6.1	19.7
Fuel, Power, Light and Lubricants	85	295.5	—	18.1	14.4	4.4	1.4	5.3
Manufactured Products	499	231.7	1.9	26.4	23.8	0.1	2.2	2.3

Cost of Living Index	Base	Latest Month	Variation (Per Cent) Over Last Month	Over Last Year	Over March 79	In 78-79	In 77-78	In 76-77
For Industrial Workers	1960=100	374[12]	1.6	11.6	12.7	2.2	7.6	−3.8
For Urban Non-Manual Employees	1960=100	341[12]	2.1	10.7	10.7	3.4	7.0	—
For Agricultural Labourers	July 60-June 61=100	370[12]	1.6	16.4	19.4	−1.9	6.9	−4.7

Money and Banking	Unit	Latest Week (7.3.80)	Variation (Rs crores; per cent in brackets) Over Last Month	Over Last Year	Over Mar 30, 79	In 78-79	In 77-78	In 76-77
Money Supply (M_1)	Rs crores	24,329	−278 (−1.1)	3,162 (14.9)	2,471 (11.3)	3,475 (18.9)	2,775 (17.8)	2,465 (18.8)
Net Bank Credit to Government	Rs crores	18,848	546	3,719	3,453	1,921	2,449	910
Bank Credit to Commercial Sector	Rs crores	29,950	163	4,855	4,616	4,111	2,718	3,111
Net Foreign Exchange Assets of Banking Sector	Rs crores	5,502	51	315	83	974	1,991	1,378
Deposits of Scheduled Commercial Banks (latest week 14.3.80)	Rs crores	31,338	164 (0.5)	4,954 (18 8)	4,463 (16.6)	4,790 (21.6)	4,645 (26.4)	3,411 (24.1)

Index Numbers of Industrial Production (1970=100)	Weights	Latest Month	Average of Months* 1979	1978	Variation (Per Cent) In 1979†	In 1978	In 1977	In 1976
General Index	100.00	152.4[12]	149.6	147.8	1.2	6.8	5.3	9.8
Basic Industries **	32.28	165.4[8]	168.2	162.6	3.4	4.8	4.5	14.3
Capital Goods Industries**	15.25	156.9[8]	163.3	156.5	4.3	2.7	9.1	10.5
Intermediate Goods Industries **	20.95	141.9[8]	138.4	133.0	4.1	8.0	4.3	7.5
Consumer Goods Industries**	31.52	129.0[8]	135.5	142.3	−4.8	10.0	6.8	10.2
Durable Goods**	3.41	154.2[8]	157.7	150.1	5.1	7.7	13.3	13.2
Non-Durable Goods**	28.11	125.9[8]	133.5	141.4	−5.6	10.4	6.1	9.8

Foreign Trade	Unit	Latest Month (Jan 80)	Cumulative for* 79-80	78-79	78-79	77-78	76-77	75-76
Exports	Rs crores	404	4,878 (10.5)	4,416	5,692 (5.3)	5,404 (5.0)	5,146 (27.3)	4,043 (21.4)
Imports	Rs crores	761	6,481 (19.6)	5,417	6,764 (12.3)	6,025 (18.7)	5,074 (3.6)	5,265 (16.5)
Balance of Trade	Rs crores	−357	−1,603	−1,001	−1,072	−621	72	−1,222

Employment Exchange Statistics	Unit	Latest Month (July 79)	Cumulative for* 1979	1978	1978	1977	1976	1975
Number of applicants on live registers (as at end of period)	Thousands	13,886	13,886 (16.1)	11,961 (12.8)	12,678 (16.1)	10,924 (11.7)	9,784 (4.9)	9,326 (10.6)
Number of registrations	Thousands	602	3,586 (3.0)	3,481 (16.6)	6,144 (15.3)	5,328 (−5.1)	5,616 (3.1)	5,448 (5.3)
Number of placements	Thousands	39	274 (0.4)	273 (−3.5)	456 (−2.6)	468 (−4.9)	492 (20.6)	408 (3.0)

* For current year upto latest month for which data are available and for corresponding period of last year.
† Variation in current year upto latest month for which data are available over corresponding period of last year.
** As derived by Reserve Bank of India.

Notes : (1) Superscript numeral denotes month to which figure relates; e g, superscript[1] indicates that the figure is for January, and so on. (2) Figures in brackets denote percentage variation over previous period.

Success of a Merger

Hansavivek

HINDRA AND MAHINDRA has
l so well during 1978-79 that the
ctors have recommended issue of
is shares on a one-for-one basis be-
s raising equity dividend from 18
cent to 20 per cent. The enhanced
ibution is very well covered by
ings and the directors have recor-
their intention to pay at least 14
cent on the expanded capital after
bonus issue. These results cover
first full operating year after the
ger of the business of International
ctor Company of India with the
pany. Substantial increases in pro-
ion and sales have resulted in a
ked improvement in profitability.
directors say that a more effective
nical co-ordination between the
facilities is showing efficiencies all
nd and providing flexibility in the
nning of production to suit demand
ds. Demand for the company's pro-
ts continues to be strong. Deeper
etration into new market areas by the Jeep range of vehicles and a growing and more efficient sales and service organisation for tractors holds promise of further growth in the years to come. The automotive division achieved the highest-ever production and sales since inception of the company, despite impediments caused by restricted availability of vendor supplies and power shortage. The company produced 14,890 vehicles and sold 14,910 as against 11,349 and 11,440, respectively, in the previous year. It has plans to attain full licensed capacity of 25,000 vehicles in 3 to 4 years. Government has in principle approved of the company entering into a technical collaboration agreement with Automobiles Pedgeot of France for manufacture of its latest model XDP 4.90 diesel engine in India for Mahindra vehicles. The company proposes to set up a joint venture in Greece in association with Balkania K Zacharopoulos of Athens for manufacture and assembly of jeep vehicles and trucks, mainly from ckd packs to be supplied from India. Initially, it is proposed to assemble 400 vehicles per annum, increasing in three years' time to 800 vehicles. M and M's shareholding in the proposed company will not exceed 40 per cent and it expects to earn a reasonable dividend on investment, besides royalty from the Greek company. The International Tractor division's production and sales during the year were 9,325 and 9,248 units compared to 5,750 and 5,866 units, respectively, produced during the previous year. With the increase in the worldwide demand for vehicles, the automotive division earned foreign exchange to the tune of Rs 4.66 crores. Export of tractors, however, was restricted in view of large unsatisfied demand in the domestic market. Exports on behalf of other manufacturers by the export division were maintained at Rs 1.29 crores. The steel division achieved record business of 5.82 lakh tonnes, an increase of 90 per cent over the previous year. The instrumentation, electronics and machine-tool divisions

e Week's Companies (Rs Lakhs)

	Mahindra		Century		Hoechst		Shree Ram	
	Latest Year 31-10-79	Last Year 31-10-78	Latest Year 31-12-79	Last Year 31-12-78	Latest Year 31-12-79	Last Year 31-12-78	Latest Year 31-12-79	Last Year 31-12-78
d-up Capital	759	772	1065	1065	252	189	200	200
serves	1740	1098	6984	5693	249	255	168	152
rrowings	3204	2797	866	744	152	168	853	916
of which Term borrowings	764	712	1	1	—	—	240	254
oss fixed assets	3682	3342	9269	7187	156	155	1070	1067
t fixed assets	2395	2295	6171	4040	80	85	216	244
vestments	322	272	208	128	—	—	91	90
rrent liabilities	2821	2011	2675	2172	768	774	531	458
rrent assets	5807	4111	5209	5505	1342	1301	1037	915
Stocks	3386	2415	3127	2496	415	356	746	677
Book debts	1967	739	1370	1834	790	798	278	220
t sales	12673	9109	12894	11999	5435	5058	2916	2054
her income	361	250	414	398	71	61	54	49
w material costs	8140	5830	3570	3852	4938	4608	1038	900
ages	1941	1599	2736	2281	114	106	609	503
terest	397	478	135	91	5	4	146	150
oss profit(+)/loss(—)	1258	544	2683	2509	257	232	117	— 61
preciation provision	276	234	328	238	7	8	31	35
x provision	204	—	810	1105	164	145	—	—
t profit(+)/loss(—)	778	310	1545	1166	86	79	86	— 96
velopment rebate provision	68	94	387	75	—	1	—	—
ansfer to reserves	578	70	881	814	48	46	—	—
vidend								
Amount	P 18 E 114	44 102	P — E 277	— 277	P — E 38	— 32	P — E —	— —
Rate (per cent)	P 2.8 to 9.3 E 20	7.8 to 9.3 18	P — E 26	— 26	P — E 15	— 17	P — E —	— —
Cover (times)	6.07	1.68	4.18	3.94	2.26	2.44	—	—
tios (per cent)								
oss profit/sales	9.93	5.93	20.81	20.91	4.73	4.58	4.01	—
t profit/capital employed	31.13	16.51	19.19	17.25	17.16	17.80	—	—
ventories/sales	26.72	25.74	24.25	20.80	7.63	7.03	25.58	32.96
ages/sales	15.31	17.55	21.22	19.01	2.09	2.09	20.88	24.49

too performed satisfactorily. The authorised capital of the company is being increased from Rs 12.5 crores to Rs 25 crores to provide for the proposed bonus issue and additional finance to meet the long-term capital requirements of the company. Keshub Mahindra, chairman, resigned as an executive director in protest against the 50 per cent cut in his salary imposed by the Central government while approving his re-appointment. In the case of three other whole-time executive directors — Somnath Roy, J S Karkal and B deSouza — the government sanctioned a reduced salary and perquisites. The representation made by the company to the government for reconsideration of the terms of remuneration as approved by the members at the annual general meeting was also turned down.

CENTURY SPINNING AND MANUFACTURING COMPANY has received a 'letter of intent' from government for setting up yet another cement plant with an installed capacity of 10 lakh tonnes per annum in Chandrapur district of Maharashtra. The state government has agreed to grant mining lease in respect of limestone required for the project. The company was able to commission one of the two clinker units of the Maiher cement project during December 1979, a few months behind schedule due to delay in delivery of a substantial part of machines and equipment. The second clinker unit and the cement mills are expected to be commissioned in stages during the next few months. The installed capacity of the existing cement plant of the company is intended to be increased from 6 lakh tonnes to 8 lakh tonnes per annum and steps have been taken to implement the expansion. The plant continues to perform well. It achieved record production of 7,02,120 tonnes, registering capacity utilisation of 117 per cent, as against 82.5 per cent for the industry as a whole. The company's application for the extension of the 'letter of intent' for manufacture of rayon grade pulp, writing and printing paper and newsprint is expected to be approved shortly. This project is to be located in Lalkua forest in Nainital District of UP. The management is negotiating with the state government for forest lease, power supply and land. Substantial orders for machinery for pulp and paper projects have been placed. The company has turned out satisfactory results for 1979 with higher sales and profits. Net profit is substantially higher than in the previous year due to lower incidence of tax on account of relief due consequent to the commissioning of one clinker unit of Maihar cement project.

HOECHST DYES AND CHEMICALS is paying 15 per cent dividend for 1979 on the expanded capital after a one-for-three bonus issue, as against 17 per cent paid on the old capital last year. The company's performance has been better with a gross profit of Rs 2.57 crores against Rs 2.32 crores previously following net sales of Rs 54.35 crores against Rs 50.58 crores Net profit is also higher at Rs 86 lakhs (Rs 79 lakhs). The proposed distribution will require more and is covered 2.26 times against 2.44 times previously. These results have been obtained despite high rate of inflation, credit curbs and high rates of interest. The indent business of the company has been lower by about 9 per cent as compared to that of the previous year, but sales of polyvinyl acetate dispersions manufactured by the company have been 16 per cent higher, dyestuffs 12 per cent better, chemicals including refrigerants 8 per cent more and high density polyethylene 4 per cent higher.

SHREE RAM MILLS' performance during 1979 has shown a marked improvement with a gross profit of Rs 117 lakhs against a trading loss of Rs 61 lakhs in the previous year. This followed a rise in turnover from Rs 20.54 crores to Rs 29.16 crores. After depreciation, there is a net profit of Rs 86 lakhs against a net loss of Rs 96 lakhs. This has helped the company to reduce the accumulated deficit from Rs 4.77 crores to Rs 4.07 crores. The company's share capital is Rs 2 crores and its reserves amount to Rs 1.68 crores. The working of the textile mills has turned better with the availability of expertise, change of product-mix particularly shift, towards blended fabrics, modern marketing techniques and sufficient inputs for keeping the operations at much the break-even point. All these ges have followed the induction the board of Kasliwals of S K The company has maintained i ports at around Rs 4.10 crores. O ing results of foundry have also improvement and the machine accessories division is no longer a on the company.

GUJARAT STATE FERTIL COMPANY, which had applied f pansion of its caprolactum fac as early as August 1975, has ye been given the green signal by Central government. There is a shortage of caprolactum and the try has to import some 15,000 t per annum. Imports may go u 20,000 tonnes by 1981, accordin Jaykrishna Harivallabhdas, chai of GSFC. Referring to a statemen the Industries Minister of Kerala setting up new caprolactum facil he observes that the country would have been suffering from the pr shortage if GSFC had been perm to go ahead with its expansion. the expanded capacity. GSFC wil able to create a total of 50,000 to of capacity with an additional in ment of Rs 87 crores, according present estimates. Further, the ex sion would require less foreign change as well as total capital cost tonne of caprolactum than would required for setting up a new pl GSFC can also complete the expan in 30 months, as against 72 mo required by any other company in country. This is because GSFC has ready established infrastructure has plans for production of inte diates required for the end prod The company has also the neces caprolactum expertise and tech capability to erect and operate plant. The chairman hopes that government would recognise GSFC's claim based on merit soon clear the expansion project.

Gokhale Institute of Politics & Economics
Pune 411 004

APPLICATIONS are invited for posts of Professors, Readers and Lecturers in the UGC Pay-scales and Research Assistants in the pay-scale Rs. 550-25-750-30-900. Candidates with requisite qualifications in all areas of Economics and related fields particularly technical/substantive/economic demography including labour force/employment may apply.

For further information and application form, write to the Registrar. The application form duly completed should reach the Registrar on or before 15th May 1980.

V. M. Dandekar
Director

Where Is the Power?

Romesh Thapar

t the moment the Opposition appears e in a worse state of disarray than re, the impression is misleading. confusions about united fronts, alli- s and alignments are under sharp iny. There is considerable confi- e that from the upsets and eruptions e will emerge a number of clearly arcated political formations prepared work out the mechanics of joint or ition action. The Jagjivan-Janata- Sangh collisions and the Charan h–Raj Narain upsets are in a sense flection of the process through which usions will be cleared.

aturally, great interest attaches to e efforts. No democracy can func- in the complexity of India if a le party, on a split Opposition vote, s with scant regard for procedure precedent. Increasingly, wider sec- s are beginning to realise the dan- inherent in the so-called massive idates which the election system in a is apt to throw up. If the Oppo- n's performance in Parliament is standing compared to the terrible fusions on the government benches, provides small solace in the face of regiments of slogan-shouters and men at the command of "the leader", ever that may be (your guess, in- d, is as good as mine!).

survey of the ruling party in Parlia- t is not calculated to create confi- ce in the viabilities of democratic aviour. It is now agreed that some Congress(I) MPs owe total allegiance to Indira Gandhi, but to her son. e PM commands the unquestioned alty of another fifty. The rest are ential defectors, conspirators, floor- ssers and the like. Observers are eady claiming — in private conversa- n, of course! — that two centres of ver are already operating, one from Safdarjung Road (now suitably puri- by religious mumbo-jumbo!) and the er from 12 Wellington Crescent (the ne of the exile from power!). The w at the All-India Medical Institute, ere the son — and heir ! — was born reminiscent of dynastic rituals.

With this background, one cannot nder at the renewed interest in an position that can make its presence . But, significantly, already voices heard warning against compacts at leadership level without the solid underpinning of programme and policy perspectives. For some time now, too much of Indian politics has been consumed by the unprincipled manoeuvrings and manipulations of individual leaders. The people are looking for an alternative which presents the possibility of a political-economic thrust on a cluster of inter-related problems which are threatening the stability of our federal polity.

Very soon, we will be told that the "majority" in the Rajya Sabha, which was to be achieved by the cynical dissolution of nine State assemblies and the holding of fresh elections is now assured. Persuasions of various kinds have prevailed, and the Ordinances will find the support required. These days, one is frequently visited with the thought that little else is needed except a regular flow of funds to keep the politicians in clover, as they say. Judging from the play in silver, this should not be all that difficult for men with bounce and energy.

Of course, the speculation is unending around the future of the headless economic ministries and public corporations. There seems no reason why these positions remain unfilled — or, for that matter, are almost forcibly vacated when the new incumbents have not been mobilised. It is known that the ruling family is having trouble persuading proper persons to head these vital areas of activity. The proposed composition of the new Planning Commission is merely one illustration of the devaluation of a major body. It does not seem to be recognised that there are still persons left in this beknighted land who value their dignity and reputation, and refuse to co-operate. No health will return to the federal polity until this blockage to acceptance is removed — and, alas, the removing is left to what is beginning to look like a very ineffective or docile Indira Gandhi under "constraints", whatever that may mean in the present context.

A large number of rather substantial political elements of the Congress(I) are watching the play of power between mother and son with increasing bitterness and frustration. The much favoured White Shirts scowl, "Look at them, sitting around like dogs", but Indira Gandhi knows that these old men provide the party with the respectability she yearns for. How is she to move them into the apparatus of governance without cleavages? It's a major question, and we may see it answered some time not so far away. The much emaciated Bahuguna has already delivered himself of a few growls in one of the local newspapers.

This scene cannot be separated from the confabulations in the Opposition. If we are going to see the shelving of the old factionalists who brought the Janata to a level of destructive despair, then we may perhaps witness new movements in alignment among the parties of the Opposition, it being clearly understood that these parties will work together during the coming elections. The single list of candidates against the Congress(I) continues to galvanise the unifiers of the forces against authoritarianism, but there are many uncertainties in the tactic.

Will the supporters of one bourgeois party, with all the hangovers of the past, vote for the candidate of another party? Are Congress(U) men Congress(I) supporters when their candidate is not on the list. Do the RSS/Jana Sangh members invariably use their vote in favour of the one who is the most pronounced Hindu on the list? What really are the alignments among the Harijans and the Muslims? Can we assume that the votes cast for the Opposition during the last election, after all the messes of the Janata and Lok Dal, represent a hard, unchanging core of support? How much difference will the fact of Indira Gandhi being PM exercise on the voter who was mobilised against the Congress(I) a few months ago? And, finally, will money power become even more decisive with the Opposition resources considerably eroded?

These are the questions we are beginning to live with as prices keep rising, as essentials disappear from the markets, as the police lathi-charge blind and the press becomes more and more silent about all those issues it was obsessed with when the Janata elders ruled — or squabbled from day to day. And, to top it off, believe it or not, we are only now beginning to realise that quite a lot was done, particularly in the rural areas, during the Janata's muddled tenureship.

March 21

LABOUR

Whose Idea of Work Norms?

Timir Basu

THE tripartite agreement of February 2, 1979, between the Indian Jute Mills Association (IJMA), the government of West Bengal, and the Central Trade Unions in the jute industry, was a patchwork affair that left many things unsettled. One of the most important questions left unsettled was workload. It was merely agreed that a committee of experts would be set up by the Labour Minister to examine the workload question. A report was to be submitted to the government within six months from the time the committee was formed. The jute industry, despite being long established, has no system of grades and scales. It has piece rate and daily rate. So, yet another expert committee was to settle the question of grades and scales. After receipt of the reports, the Labour Minister was to deliver the final verdict on the issues of workload and grades and scales, in consultation with the concerned parties. Meanwhile, the *status quo* was to be maintained.

The expert committee on workload was set up a few months ago. Of course, while it is at work, the *status quo* is to continue. Indeed, there is no reason to believe that it will be changed in the coming months. The agreement took effect from February 1, 1979, and will remain in force upto December 31, 1981. It will be binding upon the parties to it till it is terminated by statutory notice.

The committee is yet to start its work seriously and, considering that one party in it — the Indian Jute Mills Association (IJMA) — has boycotted it, its future is indeed bleak. The committee may undertake some academic exercises, nevertheless, to satisfy the representatives of the unions. In the second half of 1981, the unions will then place fresh demand charters, according to general procedures. So things will be back to square one, since government has no power to discipline IJMA. The workers are not any better situated, thus, to face the unfair labour practices which the employers have been continuing unabated since the Emergency.

The Committee on Workload, headed by D Bandopadhyay, did convene a meeting immediately after it was formed, to evolve guidelines on how to measure excess workload. Government officials who are in the committee have available to them the data on workload. What happened during the Emergency was, after all, actually done by the Labour Department. In those days, millowners simply managed to secure 'government directives' categorically prescribing work norms, and workmen simply had to obey. Some mills deliberately stopped production, throwing thousands of workers out of employment, and restarted only when the authorities reportedly recommended higher work norms suggested by the managements.

The fact is that, everywhere, the workload has been doubled but the millowners have not been satisfied with that. They have now challenged the legal validity of forming of the expert committee. What the IJMA has been demanding is that the *status quo* in the workload be first legalised. This would be one way of precluding, from the ambit of the expert committee's recommendation, any proposal to reduce the existing workload.

The committee has asked the unions to submit reports comparing the 1972 workload standards with those of 1979. But the central trade unions are divided into two camps — one, led by CITU, and the other by UTUC (LS), INTUC and their allies, with AITUC trying to be equidistant from both.

It is not yet clear, therefore, whether they will be able to submit a unanimous memorandum on workload. Jute, though it has always been a labour-intensive industry, is quickly losing ground to be called thus. Excess workload has contributed to this. Sahu Jain's New Central Jute Mill has only a little over 10,000 workers against 15,000 in 1970. In some cases, the work-force has been increased only marginally compared to the number of looms. For example, in Kankinara Jute Mill, within a period of half a decade, looms have increased by more than 36 per cent whereas the work force has risen by 13 per cent. In most of the mills the permanent work-force has been substantially reduced. A case study in Goenkas' very profitable Agarpara Company, which was making recurring losses a few years ago when it was under the management of the B N Elias group, shows that since 1972 the workload has been systematically inc
even as the workforce has be
clining. The reported departme
changes in workload at the A
mill will speak eloquently.

Batching and Preparing Depa
(1) Two weight men were enga
supply jute mora in 3 breake
machines in 1972. In 1979, one
man was engaged to feed jute
one machine. (2) In 1978, two
were engaged for a softner m
In 1979, almost all machines wer
ned as per the formula of one m
one machine. (3) In 1972, four
were engaged to give the heap
mora jute. In 1979, four hands
engaged to give the heap of 30
jute. (4) In 1972, one hand was e
for 3 finish drawing machines, wh
1979 one hand was engaged fo
finish drawing machines per shif
In 1972, one hand supplied ch
two first drawing machines per
while in 1979 one hand supplied
to 3 first drawing machines per
(6) In 1972, there was one han
one third drawing machine per
and in 1979 one hand for two
drawing machines per shift.

Spinning Department : (1) In
8 bobbin coolies were in service
in 1979, the said post had been ab
ed. (2) In 1972, one man supplied
thread and cleaned 6 machines, ag
one man cleaning 24 machines in
(3) In 1972, one man released *Noli*
4 machines, but in 1979, one ma
leased as well as filled *Noli* for 4
chines. (4) In 1972, one spinner
spin only B/L thread from 2 mach
but in 1979 one spinner spinned
and hessian thread from 2 machin

Winding Department : (1) In
there were 4 drive coolies per shif
1979, there were 3 drive coolies
shift. (2) In 1973, there were 4 b
cleaners per shift, and in 1979, 3
bin cleaners per shift. (3) In 1972,
were 3 godown coolies per shift,
in 1979, there were 2 godown co
per shift.

Beaming Department : (1) In
3 mazdoors were on colour mixin
1979, one mazdoor was allotted fo
same job. (2) In 1972, sacks of s
materials were lifted by outdoor co
but in 1979, this work was done b
coolies in the department.

Weaving Department : In 1972,
the 37½ inch loom was the double
whereas other looms were of s
variety. In 1979, 37½ inch, 46½
and 56½ inch were all double
varieties.

Finishing Department : (1) In

ads were working at the godown
hift; in 1979, there were only 8
at the godown per shift — a
tion by more than 50 per cent.
anihati godown — in 1972, 10
per shift; in 1979, 5 heads per
(3) Damping — in 1972, 4 heads
machine per shift; in 1979, 3
for 1 machine per shift. (4)
hing rolling — in 1972, 4 heads
hift; in 1979, 3 heads per shift.
ress machines — in 1972, 5 heads
shift, in 1979, 4 heads per shift.
oll packing — in 1972, there were
ads per shift, in 1979, there were
ds per shift. (7) Packing cooly
72, there were 6 heads per shift;
79, there were 5 heads per shift.
n 1979, one head had been re-
d from each inspection machine,
by rendering 78 people idle com-
to in 1972. (9) Calender machines
1972, there were 6 heads per
for one machine, but in 1979, 5
s worked per shift for one machine
accordingly, in 1972, where 108
s were required to man 6 machines
shifts, in 1979 only 90 people
ited 6 machines in 3 shifts — i e,
vorkers are jobless following the
arrangements.

oad Loom (22 looms) : (1) In 1972,
looms had 3 cloth repairers for
achine per shift and in 1979, 168"
s had 1 cloth repairer for 1 ma-
e per shift. (2) In 1972, 210" looms
4 heads for one machine. In 1979,
looms had 2 heads for one machine.
On rolling, 3 heads worked in 1979
gainst 4 earlier in 1972.

iler : In 1972, there were 18
s, in 1979, 14 heads.

urwans : In 1972 there were 85
ls; in 1979, 65 heads.

earers : In 1972, there were 5, in
, there were 4.

ansport : In 1972 there were 9
ers, 7 helpers, 1 mistry, and 1 helper
ry; in 1979 compared to the earlier
l of 18, there, only 14.

nteen : In 1972, there were 22
ls; in 1979, there were 18.

elephone : In 1972, there were 4
ators; in 1979 there were 3 opera-

om these facts, it is clear how the
labour force has been cut down.
work norms for each worker have
arbitrarily fixed, beyound their
city to complete the job in eight
s. This tremendous pressure of
load has given birth to the
zawala system that is covertly most
oitative. Permanent workers have
brought under an arrangement of
ractual labour practice, where two
perform the job allotted to one worker. Permanent workers deploy *bhagawalas* in accordance with the nature of the job and they pay them out of their own pay-packet. These *bhagawalas* are either distant relations to the permanent workers or retrenched workmen of the respective mills where they once worked under their direct pay role. These ill-fated contractual labourers earn anything between Rs 80 and Rs 150 per month but share the burden equally with their 'masters' — the permanent workers.

Bhagawalas are rampant in the sack-sewing and weaving departments, or in piece-rated wings. On average, the *bhagawala* system accounts for some 20 per cent, if not more, of the total work force. The wing running on a daily basis — *viz*, the spinning department — is still free from the *bhaga* system. But what has been done to increase the workload in the spinning department has brought a lot of health hazards to the workers. Switchover to high frequency penions or, in plain words, speeding up of machines tells upon the health of the workers. Accidents are now more frequent.

More workload means more production but also deterioration of conditions for the workers. What is disturbing is the passivity of the central trade unions on the question of workload.

WOMEN

Stirrings against Oppression

Mira Savara

THIS year, on March 8, International Women's Day, there were marches, demonstrations and meetings in various cities of India, focusing on the issue of incidents of rape in the country and injustices in the law relating to rape.

The initiative had been taken earlier in Bombay. Protesting against the Supreme Court's reversal of the verdict in the Mathura case, a broad-based Forum against Rape was formed. A public meeting was organised on February 25 and a demonstration on March 7. A mass signature campaign was also started, demanding the reopening of the Mathura case.

Before the public meeting a street play concerning the Mathura rape case was performed at some places in Bombay. At the public meeting, songs were sung on women's liberation and sexual exploitation of women. This was followed by the performance of the street play, a talk on the legal and social aspects of rape, and on medical problems associated with proving rape. A 10-minute play in Hindi was performed, depicting the treatment given to a raped woman when she goes to a police station: how the woman is humiliated and made to feel that it is she who is guilty. There followed a talk on the social and political use of rape, and then a discussion in which individuals from among the audience participated. There were also demonstrations on use of karate and judo for self-defence by women.

By this time, the Press had begun to take notice of the agitation against rape. The Mathura case, as an instance, became a household word, since newspapers and magazines printed lead pieces on the issue. The Forum itself sent out its circulars and leaflets to women in different parts of the country asking for co-ordinated action on March 8. A leaflet, "Isn't It Time We Looked Rape in the Face?", said:

> Mathura's case is only one such instance. To single it out would be to question all rape case judgments, to question the rape law, to begin to wonder why, with unfailing frequency, the convictions are so few, to realise that under the Indian Penal Code it is virtually impossible to prove rape. It would draw too much attention to something which for too long we have pretended doesn't really exist. Isn't it time we looked rape in the face?
>
> Isn't it time we accepted that it does occur, all the time, everywhere? Accept that all women are potential victims — be they young or old, attractive or plain, 'nice' or 'not nice', rich or poor? Only, if you're not Mathura, an illiterate farm labourer, the chances are less. The Mathuras of the country are doubly oppressed, they are women and they belong to an already oppressed section in a nation where justice is the privilege of a few. And the women don't face the terror of rape as individuals — but as a category. Mass rape, often used as a weapon to demonstrate power. You don't have to look far for examples. Have you forgotten what happened to the wives of railway workers during the 1974 railway strike? To the wives of mine workers at Bailadilla in 1977? To Dalit women at Chandigarh, Bhojpur and Agra? Or Muslim

women at Jamshedpur, Aligarh and in almost all communal riots? To Mizo and Nepali women at the hands of the Indian army?

But you don't have to be raped to realise what you're up against. Don't you know it already? Doesn't every women know it? Watching a film where the graphic rape scene and the encouraging hoots and whistles from the audience turns your stomach. Walking down the road, travelling in a bus or a train, trying to ignore remarks, taunts, someone's hand feeling you up, brushing against you. Did you ask for it? Invite it?

And if tomorrow you're raped, what will you do? And if you're a man and your sister or daughter or mother is raped what will you do? After your carefully cherished myths disintegrate around you and it dawns on you that rape occurs without women "asking for it". Will you be one of the 800 cases reported in Bombay in one year and have the courage to say "I was raped"? Or will you be one of the 8,000 others, for to every reported rape there are 10-12 unreported ones?

In Delhi street plays were performed, a morcha was taken out by several women's organisations, and a delegation met Indira Gandhi. In Hyderabad, on March 3 and March 8 there was a meeting and demonstration. In Kolhapur, there was a public meeting, after which a demonstration was taken out to the police station demanding action on a local issue. In Pune, Belgaum and Nagpur there were meetings. Smaller towns were not quiet either. On March 3, the Forum received news about a case of Palghar near Bombay in Thana district of Maharashtra: 25-year old Manjula an adivasi woman from Chahade (a village 6 km from Palghar) left for Palghar on the morning of February 20. She never came back. Her dead body was found the following day. According to police, Manjula's body was found naked, her sari was tied around her neck and had been used to strangle her. The place of death bore marks of struggle. Three empty bottles of brandy were found near the body. Medical reports suggested that she had been raped. Palghar women decided to have a morcha. Hundreds marched to the police station demanding justice to Mathura and Manjula. As a follow-up the Bombay CID was called in, and a landlord's son arrested.

In Talasari, Thana district again, 1,500 women marched to the Tahsildar's office and the police station. Adivasi women spoke at these meetings about the burdens and injustices suffered by women. They demanded the reopening of the Mathura case; they condemned police inaction in the Palghar incident; they spoke about rape in their own lives, by policemen, contractors, moneylenders and shopkeepers. Others spoke about the evils of alcoholism which they maintained had been introduced by the moneylenders and landlords. Some spoke on rising prices, the right to work, and the corruption in the employment guarantee scheme.

In the suburbs of Bombay on March 9, there was rape of a minor girl who was going to church in the morning. The community decided to take out a morcha. Thousands of men, women, and children, came out in a silent morcha to the police station. No longer were people willing to keep quiet about rape and the sexual harassment of women.

The National Federation of Indian women held a dharna outside Parliament on March 17. A petition submitted to Parliament demanded: (1) reopening of the Mathura case; (2) immediate suspension of, and disciplinary proceedings against, policemen and officials of the police forces accused of, or charged with, having committed rape; (3) amendments in the rape law; (4) appointment of a national comm by the ministry concerned with presentation from women's gr lawyers, and civil liberties orga tions. The committee would in gate the pattern of rape (reported unreported) in the country, study functioning of the medical and institutions which deal with rape recommend further changes in the la

Women's organisations in Delhi submitted petitions to the law min and to the Supreme Court regar the Mathura case. A seminar organised in Delhi where several yers' and women's organisations pa cipated. A petition demanding the opening of the Mathura case was submitted to the Maharashtra gove ment since it had been a party to case. The state government promp petitioned the Supreme Court fo review of the case. On March 29, Supreme Court decided to review case.

What remains to be seen is whet this loose co-operation and co-ordi tion remains, whether more and m issues concerning women are taken whether long-term work continues a whether more and more women involved.

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Using the Naxalite Bogey

Arun Srivastava

LOWING the steps initiated by the ijan cell of the Home Department, Bihar government issued orders to District Magistrates and the Super-ndent of Police that they would fully responsible for checking atro-es on harijans, adivasis, and people nging to the weaker sections of ety. In case of even minor slack-s, strict action was to be taken inst the concerned officers. The ernment also issued instructions t, where atrocities are committed by lowners and people of the richer tions of society on harijans, adivasis people belonging to the weaker tions, or where there is any dispute r land and likelihood of use of arms against the latter, the fire-ns of the landowners and rich peo-should be confiscated. Yet, in the ara massacre itself, even the prepar-of the FIR and the framing of the rge-sheet took nearly 15 days. And s span of time was enough for the rks to disappear into the deep.

There is no evidence that the land-ds of Kalyanchak were on bad terms h the harijans of Pipara. The much orted cause of the massacre — the lier murder of the Kurmi landlord ola Singh on December 1, 1979 — l little to do with the harijans of the tto. The FIR did not bear their ne. On December 1, at about 10 in morning, Bhola Singh was spraying tiliser in his field with his younger other Siddheshwar. Two or three rijan labourers of Pipara were also rking in his field a short distance ay. Suddenly three people came from north-west of the village which is Poonpoon side, whipped out revol-rs and killed him. It is claimed that iddheshwar could identify these per-ns. They were said to be known axalites'. Silence on the part of the bourers who were present has been ken to be evidence of their connic-nce in the murders. Local people, wever, assert that Bhola Singh's bro-r himself had something to do with murder which was over some family d.

Yet another version is that the usal by the landlords to pay the nimum wages to the labourers played ole in the course of events. According a notification of March 15, 1975, of Labour Department of the Govern-nt of Bihar, the minimum wages in tna district for agricultural workers shall be in accordance with the Bihar Minimum Wages Rules, 1951, subject to a minimum of Rs 5 plus one meal per day for irrigated areas, and Rs 4.50 and one meal per day for non-irrigated areas. Patna is in an irrigated zone. For ploughing, sowing and weeding, a labourer should get 4 kg of foodgrain (but not Khesari) and 600 gm of Sattu. For uprooting, the rate is 5 kg of rice or wheat and 1 kg 200 gm of Sattu. For transplanting, it is 3 kg of rice or wheat and 750 gm of Sattu.

But the labourers of Pipara never got more than 1 seer of Khesari and ½ seer of Sattu as their daily wages. This is true also of the belt of west Patna. The labourers of Pipara claim they were pleading for a minimum of 3 kg of rice/wheat and 1 kg of Sattu, or Rs 4.50 per day. In fact, however, the move to realise the minimum wages never got any impetus here. Once 10 labourers had complained to the labour inspector, but that too verbally. Indeed, even the movement for minimum wages in the nearby villages of Tikaichak or Bajitpur, where it did acquire momentum, did not evoke any response from the landlords.

Whatever the cause of the massacre, the *modus operandi* of the attack is significant. In the night of February 25, when the entire ghetto had gone to bed, nearly 1000 musclemen of the Kurmi landlords, headed by all the known Kurmi bigwigs of the area, armed with guns and rifles gheraoed the 27 houses in the ghetto. While a section aimed shots and put the entire ghetto on fire, another section set about hunting down Deon Rabidas and Bhutali Ram.

Hearing gunshots outside his house and seeing the fire engulfing his house, Deon along with his wife Lalpatia and son Shradhanan tried to escape by the backdoor. At this time Deon was called by the attackers with the assurance that he would not be killed. Poor Deon came out. The attackers caught hold of him, his son, and his wife. They were slain and thrown into the fire. While this happened on one side of the village, on the other side Bhutali Rabidas, the 65-year-old accepted leader of the ghetto was the focal point of the landlords' brutality. His head was chopped off, his body was lynched, and he was then thrown into the fire.

Villagers say frantic queries were made by the attackers about their so-called involvement in 'Naxal activities' and giving shelter to 'Naxalites'. It was gathered that Deon was never directly involved in any kind of dispute with the landlords, though he was the morale-booster of the labourers: in that he would counsel and suggest. But the case of Bhutali is entirely different. It was he who led the fight against the landlords of Kalyanchak. Villagers recollect that there had been a communal clash in the area around 1947. At that time, the harijans of this village had given protection and shelter to the Muslims of Pipara. Incidentally, the Muslims after usurping the lands of harijans had inflated their acreage. At the time of emigrating to the then East Pakistan, however, the Muslims not only handed over their houses to the harijans but also gave out 4 bighas of land to them. But the landlords claim that the Muslims had sold out all their holdings to the landlords. Thus, though the Chamars of Pipara started living in the Muslim houses, they could never take control of the land. Bhola Singh, the landlord of Kalyanchak under his dubious plea, refused to part with even an inch to the harijans of Pipara. This led to scuffles. In the first clash, the Kurmi landlords received injuries but in the second Bhutali got a severe injury in the head.

The clash over land did not end here. Denied their rights, the harijans forcibly harvested the crop in the 4 bighas. Bhola Singh sowed the field and the harijans harvested it. Bhutali lodged a writ with the High Court of Patna and after a long interval some five years ago obtained the verdict in his favour. Even after losing the court case, Bhola Singh would not let go of the plot and was in actual physical possession of the land. The matter was again raised during the 'Harijans Era' of the Emergency, but no one cared.

Not that forcible eviction of share-croppers, disowning of the legal and genuine demands of labourers, refusing to pay them the minimum wages, and dubbing them 'Naxalites' is confined to Pipara. The entire belt within a radius of 100 miles is bearing witness to a popular peasant struggle against feudal tortures and atrocities by landlords. Armed clashes have taken place in adjoining villages of Dekuli, Nema, Dhanarua, Chanidih, Bhalahuan. The state administration itself has identified Patna district as the 'Naxalite Operation Belt', 'Naxalite Infested Zone'.

It is interesting that nearly two months before the death of Bhola Singh, a committee of landlords of the area was formed, called 'Kisan Suraksha Samiti'. Bhola Singh had taken the

main initiative and was chairman of the Samiti. Soon afterwards the Samiti had started to lobby for political patronage and for 'protection against aggressions and attacks' by harijans. A list was compiled of 30 landlords 'killed' between 1976 and 1979. All top caste leaders, irrespective of party colour, began to pour on to the common platform. It is alleged that the plan to execute the Pipara harijans was prepared at the residence of a prominent personage in Patna and that the executors were given shelter by different political figures.

According to a release in the Press, the main reason for the formation of the Samiti was the reported threat to kill a landlord of a West Poonpoon village. 'Naxalites' had served notice to the rich peasants that they should give them 150 maunds of rice within 24 hours or they would be killed. To protect their interests, the landlords formed the Kisan Suraksha Samiti. The press release categorically says that all the actions were carried out by the 'Naxalites'. Incidentally, both the main organisers of the Samiti, Bhola Singh of Kalyanchak and Deonandan Singh of Kamalpur, the treasurer of Samiti, were in fact killed. Deonandan was killed on January 31, two months after Bhola Singh.

However, soon after its formation the Samiti contacted the Belchi group. The job was done by four landlord Mukhiyas of the nearby villages. Thereafter, regular meetings and occasional thrashings and physical assaults on selected harijans started here and there. Nearly a month before the Pipara outrage, the musclemen of the Samiti had raided and attacked the harijans of Barahgaon village in Musahari Block. But they faced a tough resistance there.

Barely 10 days before the Pipara carnage, again, the Muslim officer-in-charge (daroga) of Poonpoon police station was suddenly transferred. Daroga is said to have earned a good name among the harijans and the labourers of the area. Moreover, just four days before, the question of killing of landlords and carrying on of Naxalite activities in the West Patna was raised in the Assembly through a call-attention motion by a top Lok Dal leader, and a secret meeting of the Samiti was held in Masaurhi. Moreover, four consecutive meetings of the Samiti were held in Beldarichak before the Pipara carnage was actually enacted. Finally, two or three days before the massacre — probably on February 22 or 23, on the plea of hunting down Naxalites — the entire harijan ghetto of Pipara was searched, which assured the landlords that the labourers now no more possessed any fire-arms.

Against this background, the Pipara massacre following close on the heels of Parasbigha underscores the tacit relationship between the state administration and the landlords. The violence is sharp against any organisation or articulation of protest by the labourers.

Just five days after the incid Governor of Bihar asked the for reinforcements for the arm of the state. It is learnt that three batallions of the Central Force has been requisitioned — the growing Naxalite activity state.

WEST BENGAL

Budget Broadsides

WISELY or otherwise, the Left Front government in West Bengal has decided not to crawl. Stoically, almost with a feeling of fatalism, it has chosen against anticipating things and preferred to keep up a bold face. The 1980-81 budget that the Finance Minister presented the other day has thus come to assume a strong note of defiance.

Unfortunately, the boldness that the budget and, for that matter, some other steps that the state government has recently taken try to convey could have been reflected much more directly in the fiscal blueprint that Ashok Mitra has outlined. He has made quite a few major assumptions about the likely flow of funds from the Centre. But even after that, the budget leaves an uncovered resources gap of nearly Rs 20 crores. Some of the expectations of Central help may not come true and that might make the entire budgetary exercise go haywire.

It is not as if a state by itself can build a sort of buffer if the Centre chooses to launch a fiscal offensive against it. The fact of the matter is — and Ashok Mitra certainly stands on very sound ground when he speaks of it — that the Centre virtually holds all the strings in its hand, the strings with which state governments can very well hang themselves and be gone.

After all, banks and other financial institutions come under the direct tutelage of the federal government. The Centre decides the supply quotas of cereals, diesel, edible oils, industrial raw materials — you name it, it has it, The Centre has the first charge on the allegiance of the higher bureaucracy. The Centre gives money for development planning, for running day to day administration — almost everything that really matters. And few would dispute this view, even if all may not agree on whether such an arrangement is good or bad for the country.

In such a situation, one would have thought that Ashok Mitra would have liked to press a bit harder to mobilise resources from the somewhat limited field that is at his disposal. In fact, in terms of additional resource mobilisation, he has been content to for only Rs 25 crores in the year against Rs 34 crores target the current year. How much would actually be fulfilled h however been indicated.

But then, as the budget paper gest the rate of growth of reven ceipts in the state has not been as to give the finance ministe great liberty in tapping newer s or taxing the existing ones harde venue receipts in 1978-79 sto Rs 828.28 crores. The 1979-80 b estimated them at Rs 999.89 though the provisional revised shows them higher at about Rs 1,0 crores. The 1980-81 budget puts at Rs 1,123.72 crores. The ra growth is not exactly flattering — flecting the somewhat lacklustre in the economy — nor can it reall regarded as an ideal hunting gr for a finance minister out to have a ger slice of the cake.

Ashok Mitra has estimated that crores would be received during coming fiscal year as royalties on due from August 1979. An Rs 23.75 crores are expected to be state's authorised credit limit with Reserve Bank of India. Additionall the Planning Commission can be suaded to give more than Rs 123 c as had been assumed in the bu proposals, then also the uncov gap will be further narrowed. what if all this turns out to be o wise — expenses rise and reve trail behind the projections?

Issues like these seem to out the best of the crusading shown by the Leftist govern to change the equation of powers tween the Centre and the states. the much discussed question of the tes' overdrafts, Ashok Mitra obs that states' dues are often held u the Centre. What is more, in current year, the Centre has flo additional short-term treasury bill New Delhi's equivalent of the s overdraft — of around Rs 2,500 c or nearly 15 per cent of the size o overall annual budget, a state go

like West Bengal's is expected to ion with an authorised credit of only Rs 23.75 crores which is y 1.5 per cent of its annual tran- ns. Does the Centre alone have ight to draw overdrafts but not tates? That is the question he seems sk.

t one of the sharpest darts that udget has let off is aimed at the ioning of the banking system in state. It points out that the t-deposit ratio of the public sector s has in fact declined in the state cent years. In 13 out of its 15 icts, the ratio now stands at less 40 per cent which runs contrary ie Central government guidelines.

nks' advances to the neglected rs in the state, Ashok Mitra re- , come to barely 20 per cent of otal against the national average of tle over 30 per cent. Banks are also osed to advance at least one per of their total advances under the rential interest rate scheme, but in t Bengal the actual figure now s out to just about 0.2 per cent. s not enough if more bank branches opened in the state; the general oach of the banking sector as a le needs to be altered if additional urces are to flow in this state. All are demanding is that resources which the banks siphon away from the districts are put back to use for expanding economic activities there", Ashok Mitra observes.

And he does not stop here. He says that the state cannot wait indefinitely for the banks to change their "culture". If it comes to that, the state will have to think of running a commercial bank of its own. The State Bank of Jammu and Kashmir provides a precedent for such an institution. Ashok Mitra notes that the state government and its public sector undertakings have more than Rs 50 crores of funds invested with these banks. These funds can be, if necessary, withdrawn from these banks and put into the one that the state government may set up.

Another budget proposal — to treat the entire income from tea as agriculture income and tax the whole of it under the agricultural income tax to be collected by the state instead of just 60 per cent as before — might also raise a hassle in some quarters. This point might of course involve a bit of constitutional dissection, but about the other issues — especially about the role of the banks — there can hardly be any difference of opinion, or any defence. Will the banking bosses care to explain the situation honestly, and not just smartly?

NJAB

Power Crisis

Amarjit Chandan

NJAB has been gripped by an acute er shortage since last November.

Punjab State Electricity Board EB) has imposed a drastic cut of 4 11 hours duration in power supply the urban and rural areas respec- ly. Now the total availability is a e over 100 lakh units a day where- he demand is for 270 lakh units. Of four units of the Guru Nanak rmal Plant at Bhatinda, three units duce only 30 lakh units, against the irement of 60 lakh units, because ncertain supply of low-quality coal. Bhatinda plant is receiving 2,200 ies of coal against a daily require- t of 4,000 tonnes.

bviously industrial and agricultural ors are the worst-affected. Accord- to rough estimates, industries in jab are running a loss of Rs 7 crores ay. Punjab has over 2.5 lakh wor- recording an annual industrial luction of Rs 1,500 crore and ex- s of over Rs 211 crore. Industria- and workers are holding joint demonstrations at the main industrial towns like Ludhiana, Amritsar, Batala, Jullundur, Coraya and Gobindgarh to protest against the power cut. The Federation of Engineering Associations and other industrial organisations have threatened not to pay power-bills, gherao the state authorities and officials of the PSEB, and retrench workers without notice. While the distilleries function round the clock, units producing life-saving drugs lie idle. Thousands of workers have been laid off and retrenched. In Batala about 500 foundries and workshops have been closed and over 25,000 workers are facing total or partial unemployment. Production of engineering goods which used to be worth about Rs 2.5 crore per month has fallen to Rs 70 lakh. In Jullundur about 300 rubber units with an annual production worth Rs 25 crore have decided to close down, their annual production has gone down to about Rs 5 crores. Nearly 40 per cent workers have been laid off. The Punjab Tractors factory at Mohali near Chandigarh has laid off 1,200 workers out of a total of 1,800. The Cotton Corporation of India suspended the purchase of cotton in 25 markets in the state following the accumulation of the purchased stock in the ginning and pressing factories.

The Punjab, Haryana and Delhi Chambers of Commerce and Industry (PHDCCI) apprehends that without corrective measures Punjab will face capacity deficits in the power sector throughout the sixth plan period. To meet the immediate power shortage the Chamber has suggested that the state government should provide a subsidy for purchase of diesel generating sets by the industry. But the PSEB's decision to link power supply with eleven imported generators have failed to resolve the crisis because of an acute shortage of diesel. Eight out of the eleven generators have been sold by the PSEB for a throwaway price.

The rabi prospects are bad because of shortage of diesel. There is a gap of about six million units a day between the supply and demand for power, the supply being a little over 10 million units a day. Even the six-hour supply for the tube-wells is not assured.

Of all the political parties only the CPI workers are staging demonstrations and dharnas at district headquarters to protest against the energy crisis.

The argument that the severe power cut was imposed due to the drought conditions is totally unconvincing. Even during the 'wet years', the power cut has always been there. The Bhakra-Beas Management Board had been discharging water without generating power. The main reason of power crisis lies in the fact that the power generating machines are not exploited to their full capacity. In 1973 the power plants in the country, generated only 7,900 MW (44 per cent), whereas the total potential was 18,028 MW. According to the PSEB Chairman, T S Madan, the machinery made in Soviet sponsored Bharat Heavy Electricals, Ranchi and Kota is defective, and that is why people have to face the power crisis. About 37 per cent power is lost before it reaches the consumer due to the defective channels. This rate of loss is the highest in the world. Power is also stolen: theft of power in the state is over 25 per cent. Obviously this happens with the connivance of the high state and PSEB officials. Instead of controlling the power supply in proportion to the production, the Akali and Congress governments go on giving new power connections with their eyes on votes.

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Shooting the Pianist

ACCORDING to a newspaper report, "the Union agriculture ministry is believed to have objected to a proposal to close down the public sector Jute Corporation of India". It is not clear when such a proposal was made, or by whom, but the report suggests that the move to wind up the Jute Corporation of India (JCI) was part of the persistent lobbying by the jute industry which has been arguing that the JCI has become a 'white elephant' since it was incurring huge losses every year — though the fact of the matter is that such losses have been incurred only in the last two years before which the JCI was making a tidy if unspectacular profit.

The JCI certainly has many faults and one of the results of the close scrutiny of its activities by the committee of public undertakings (COPU) of the Sixth Lok Sabha (whose chairman took personal interest in the matter of exposing how the jute growth never secured an equitable price for the product of his labour) was that there was some improvement in its functioning. While the JCI still continues to account for only a fraction of jute purchases in the country and is still well away from its lofty ambition of becoming a monopoly procuring agency, its performance last year was certainly an improvement over that in 1977-78 when, with the announced ambitious plans of purchasing 15 lakh bales of jute, the JCI ended with purchasing a mere 67,000 bales. At least one of the results of the public scrutiny into the affairs of the JCI — whatever adverse and perhaps even unfair publicity the organisation might have received — has been the partial restoration of the JCI to its original position as evidenced in its purchases in 1978-79 which were about eight lakh bales. For the present year (1979-80) the JCI has once again set a very ambitious target (around 25 lakh bales) and considering the many infrastructural problems that the organisation suffers from as well as the many infirmities exposed in the COPU reports, all of which apparently continue, it is arguable whether it was necessary at all to set such an unrealistic target. The JCI's own unsold stocks, the lack of funds, organisational problems including resistance on the part of the JCI staff to work at 'unorthodox hours' during the purchasing season, reportedly gravely hampered the procurement operations during the last season.

Certainly, the functioning of the JCI deserves to be criticised. But this still would not warrant the kind of inspired attacks that are apparently being mounted against the organisation whose motives appear to be not a desire to see that the JCI functions more effectively but to see that the organisation itself is disbanded. It is true that the JCI was once again not able to prevent widespread distress sales last year and considering the additions to its carryover stock consequent upon its relatively successful operations, it might be even less able to do so in the coming season especially in view of the fact that some brisk smuggling of jute from Bangladesh always goes on further depressing internal jute prices. But the suggested 'solution' for these problems is clearly intended to neutralise an agency which — howsoever ineffectively and despite all the distortions of its functioning — was at least aiming to counter the middleman-trader-millowner nexus oppressing the jute farmer. The problems of the JCI could have perhaps been eased had the Centre been able to go through its proposal to export raw jute. But even the modest exports (of low grade jute) planned by the Centre has once again been vigorously opposed by industry and it is even possible, as happened last year, that there might be no buyers for the poor quality jute that is being offered.

The solution to the problem of large carryover of jute stocks, unremunerative prices to the jute grower, accumulating losses of a public sector corporation, etc, does not lie in the abolition of the Jute Corporation of India, howsoever persuasively such a case might be argued by vested interests. What is necessary is further strengthening of the purchasing agency. The industry too must be persuaded to lift its needs from the Corporation and there is no reason why in due course, all the requirements of the industry cannot be canalised through the JCI. But the biggest obstacle in the way of all such tidy plans are powerful interests represented by Jute mills and as long as the 'understanding' exists between magnates of jute industry and the politicians of the ruling party, the Indian jute grower will continue to get a raw deal.

Migration Flows in Punjab's Green Revolution Belt

A S Oberai

H K Manmohan Singh

This paper presents some results of a field survey of migrants into and out of the rural areas Ludhiana district of Punjab which is the heart of the green revolution belt in northern India. Three strea of migrants are studied: out-migrants, in-migrants and return-migrants.

The analysis suggests that all three flows are on the rise in Punjab's green revolution areas. O migration from the rural areas is dominated by the poorest and the richest and information on the reas for migration confirms the link between migration and economic factors.

The rate of out-migration from the rural areas is higher than the combined rate of in-migration a return-migration, suggesting that some of the shortage of labour reported from the region may be due migration and not to new methods of agriculture.

The data suggest that, in terms of human capital, rural areas of the region are getting depleted their more resourceful elements. Against this, there is a compensatory inflow into the rural areas of rem tances which supplements capital formation and investment in productive activities.

The proportion of scheduled and low caste people in the rural population of Ludhiana district gradually increasing as a result of migration.

Ludhiana district, because of its achievement in agriculture, is attracting people from other distric of Punjab and also from the other states. These flows are not considerable at present, but are portendi to become more marked with the passage of time.

I

Introduction

WITH the establishment after the Second World War of national and democratic governments in them, many countries of what is today called the Third World initiated a process of planned development under the aegis of the state. Central to their development strategies was the belief that the growth of organised sector industries largely situated in urban areas would not only produce sufficient employment opportunities to ensure a more productive and efficient allocation of human resources in the economy as a whole but also attract surplus manpower from rural areas. The smooth transformation of the economy suggested by this approach, however, did not occur. Instead, there was an outburst of rising urban unemployment, throwing into disarray both the development planner and the policy-maker. In some countries, high urban unemployment has been accompanied by relatively high urban wage levels, which were initially considered mutually incompatible. In others, despite the existence of income-earning opportunities in agriculture and high levels of urban unemployment, migration from rural areas not only continues but has accelerated, producing a serious malfunctioning in the urban labour market and seasonal shortages of labour in rural areas. Urbanologists have reported allround deterioration in public services and in the social infrastructures necessary for orderly maintenance of urban life.[1]

India is a prime example of a country which has unwittingly landed herself in this situation. During the decade 1961-71, her overall population increased by 24.7 per cent, while the increase in her urban population was 37.9 per cent. The data show that much of this increase is concentrated in large cities and the rate of increase diminishes with the size of the urban areas.[2]

After initially recommending a development pattern which would encourage migration to the urban areas, India's Sixth Plan document makes a graphic reference to the impending "breakdown" of "all civil services" and makes a strong policy recommendation for "drastic measures" to restrict "the growth of population in the larger urban conglomerates".[3] Many other governments realising the gravity of such developments are entertaining similar thoughts. Some have even initiated policies which aim at curbing or redirecting migration flows, either by introducing incentives and disincentives or by coercive methods.[4]

In order to widen the base of knowledge to facilitate informed policy decisions, the International Labour Office set up during 1976 a comprehensive research project under which detailed case studies are being carried out in Ecuador, Guyana, India and Nigeria. The main focus of this research is the determinants of migration as w as on analysing the interaction betwe rural-urban migration and econon change, especially the role of migrati in the transformation of rural and ban economies and its effects on p duction, agricultural productivity, tec nological change, population growt structure and level of employment, a income distribution between rural a urban economies as also within ea sector.

The area chosen for fieldwork f the Indian study was the Ludhia district of Punjab, which is the hea of the green revolution belt in t northern India. The choice was infl enced by four major consideration its experience of rapid agricultu growth; its fairly rapid socio-econom transformation; its emergence as important centre of small-scale industr and a large increase in its urban pop lation. The data for the study we collected through two large surveys, o of rural areas of the district and t other of Ludhiana city proper, carri out during March-June 1977. The ru survey extended over 2,124 household in 26 villages and the urban, whic followed immediately, over 2,500 hous holds.

There are two types of flows in whic the ramifications of migration can b analysed, one of human capital an the other of physical capital. Th paper is a statistical characterisation human capital flows as revealed by t

TABLE 1 : RATES OF MIGRATION BY VILLAGE

Village	Rates of In-migration (In-migrants as % of village population)			Rate of Return-migration (Returned migrants during 1961-77 as % of village population)	Rates of Out-migration (Out-migrants during 1961-77 as % of village population)	
	All Period In-migrants	In-migrants during 1961-77	In-migrants during 1961-77 Excl Wives and Children Below 12 Years		All Out-migrants	Out-migrants for Economic Reasons Only*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1) Sherian	45.0	8.2	0.0	1.0	2.9	2.44
2) Machhian Khurd	44.7	18.1	4.8	0.0	4.7	1.21
3) Gaunsgarh	50.8	27.5	6.2	0.5	5.7	3.79
4) Ghumana	32.2	10.0	2.0	0.6	7.6	2.05
5) Malsian Bajan	26.1	9.4	1.8	1.0	10.7	4.82
6) Sherpur	23.5	8.3	0.4	0.2	12.4	6.22
7) Chhaurian	35.9	10.1	1.0	3.1	15.8	9.81
8) Labangarh	26.2	13.5	0.8	0.5	15.0	6.04
9) Bhundri	27.6	19.4	5 9	0.5	4.4	1.47
0) Sidhwan Bet	12.7	7.7	2.5	1.0	11.9	6.38
1) Gazipur	41 6	7.5	0.6	0.0	14.6	6.31
2) Marewal	45.6	35.3	7.8	0.0	4.0	1.55
3) Bhaini Nathu	47.4	27.7	6.7	0.4	5.4	1.97
4) Hans	22.6	9.6	0.3	1.1	12.9	3.43
5) Sehju Majra	15.0	6.9	0.8	0.2	6.8	2.71
6) Raian	18.1	7.3	1.6	0.5	11.5	3.16
7) Kanian Hussaini	30.4	17.0	4.7	0.1	1.6	0.29
8) Kailpur	13.7	5.6	0.9	1.4	15.0	7.14
9) Kalewal	21.7	8.2	0.2	0.4	8.9	4.01
0) Harbanspura	18.8	7.6	0.7	0.9	10.5	3.81
1) Jangpur	12.6	4.0	0.6	1.0	21.4	9.70
2) Sanghol	9.4	4.4	1.2	1.8	10.2	6.41
3) Machhiwara	35.5	16.9	4.4	0.3	6.9	2.42
4) Kalar	11.2	2.9	0.3	0.6	8.5	4.56
5) Bhaini Gujran	39.3	17.7	5.1	0.0	7.1	0.00
6) Mand Chounta	63.8	81.7	29.0	3.7	6.6	3.74
Average	27.6	11.1	2.53	0.78	9.98	4.51

* Excluding women who out-migrated for reasons of marriage and children below 12 years of age.

ral survey data. Three main streams migrants were examined: out-migants, in-migrants and returned-migants. Of 2,124 households with a samed population of 13,058, 504 housedlds had at least one out-migrant ch, 327 households at least one in-igrant each and 137 households at ast one returned-migrant each. The mber of households which had no grant was 1,228. Some of the housedlds contained more than one category migrants.

The following definitions of migrants ere adopted:

An *out-migrant* is a person who was previously a member of the household but had left since 1961[5] to live or work elsewhere. Women who out-migrated for marriage and children below 12 years of age are excluded. Since commuters stick to their rural residence, they are also excluded.

An *in-migrant* is a person who was not born in his/her present place of residence but had in-migrated since 1961. Wives who had in-migrated because of marriage, children below 12 years of age at the time of in-migration and children born at the residence of the maternal grandparents/uncles, because of custom or convenience, are excluded.

A *returned-migrant* is a person who had lived away, either working or looking for work or for study, for at least one month, and had returned since 1961, no matter when he had out-migrated.

II
Rates of Migration

A broad idea of flows of migration can be formed from Table 1 which sets forth rates of migration for all 26 villages. The average rates of migration for economic reasons only work out to: in-migration 2.53 per cent, return-migration 0.78 per cent, and out-migration 4.51 per cent. However, if we take gross migration flows, we find that the rate of in-migration (column 3) exceeds that of out-migration (column 6), even if we ignore the rate of return-migration (column 5). This may give an impression that the rural areas are gaining population. However, such a conclusion is not warranted because in this study out-migration of entire households, which may be a fair number, has not been reckoned. So far as migration streams involving only such persons as are migrating in and out for economic reasons are concerned, we find that the trend is in the other direction: the rate of out-migration (column 7) exceeds the combined rate of in-migration (column 4) and return-migration (column 5).

III
Out-Migrant

(a) *Demographic and related characteristics*

An analysis of the data on out-migration (Table 2) shows that the process is highly selective. Of the out-migrants, 95.8 per cent are male and 75.7 per cent are between 12-24 years of age. The latter are likely to be persons who would normally be looking for gainful employment for the first time. Furthermore, 65.9 per cent of out-migrants are unmarried. Taken together, these factors can induce secular changes in the fertility rates, by affecting such factors as sex ratios and the age of marriage, both in the sending and recipient areas, and alter the overall growth rate of population. The data further reveal that out-migration to the urban areas reaches the peak between 15 and 19 years. There is also relatively smaller percentage of married people migrating to the urban areas, which underscores the comparative difficulty of settling down in the urban areas of persons with encumbrances.

(b) *Education*

The selectivity bias is further confirmed by the data on educational characteristics. It can be seen that 88.7 per cent of the out-migrants have received formal education, of whom a little over one-half have completed at

least the high school level. These figures are significantly higher than the educational levels of the sampled population which have been worked out from the detailed household data and are given in Table 2 for comparison. There is higher percentage of better educated persons among the out-migrants to the rural areas than among the out-migrants to the urban areas, which is explained by the fact that either the former have a preference for a job in the rural areas or cannot find employment because some of the jobs in the urban areas are pre-empted by the townsmen.

(c) *Relationship to household head*

The data on relationship to household head show that 80.4 per cent of out-migrants are either parents or children. This has an important implication for the size and frequency of remittances, which is emerging as an important source of external assistance to the rural areas. An independent study on remittances revealed that the estimated net inflow of resources to the rural areas of the district through remittances during 1976-77 was Rs 36 million, of which 60.8 per cent came from outside the state and 87.6 per cent from the urban areas.

(d) *Distance*

Table 3 shows out-migration by distance. It can be seen that out-migration to the rural areas is more significant within the state than outside the state but within the region. It is more significant within the district than outside the district but within the state. There is only a small out-migration to the rural areas outside the region. It is the other way round with the migration to the urban areas, except for the fact that there is a considerable out-migration to the urban areas outside the region. Distance, which is a large factor in the costs of migration, appears to be a weak deterrent. This is clear from the fact that the percentage distribution of out-migrants to the urban areas outside the district varies within a small range as among the state, the region and other places in the country.

(e) *Trends*

The data on the periodic growth of out-migration indicate that, as a movement, migration has developed only in recent years. The quinquennial out-migration works out to 19.9 per cent during 1962-63 to 1966-67, 28.3 per cent during 1967-68 to 1971-72, and 44 per cent during 1972-73 to 1976-77. Only 7.3 per cent of total out-migrants left before 1962-63.

(f) *Economic characteristics*

The data on the dominant economic

TABLE 2 : DISTRIBUTION OF OUT-MIGRANTS AND THEIR HOUSHOLDS BY DEMOGRAPHIC, ECONOMIC AND SOCIAL CHARACTERISTICS AT TIME OF LEAVING

	All Out-migrants (per cent) (N=697)	Present Place of Reside	
		Urban (per cent) (N=511)	Rural (per cen (N=12
(1) Age (years)			
12-14	2.7	2.3	4.7
15-19	37.2	41.3	27.6
20-24	35.3	33.9	34.6
25-29	12.5	11.7	15.0
30-39	8.2	7.5	13.3
40-49	2.6	2.7	1.6
50+	1.0	0.6	3.1
	100.0	100.0	100.0
(2) Education			
No formal education	11.3 (55.46)*	10.4	17.3
Less than high/higher secondary school	39.0 (35.29)	41.5	27.6
High/higher secondary	41.0 (7.30)	40.9	44.9
Less than graduate	0.7 (1.63)	0.6	1.6
Technical graduate	0.9 (0.03)	0.8	0.8
General graduate	7.0 (1.29)	5.9	7.9
	100.0	100.0	100.0
(3) Sex			
Male	95.8	97.3	90.6
Female	4.2	2.7	9.4
	100.0	100.0	100.0
(4) Marital status			
Married	34.0	30.5	48.0
Unmarried	65 9	69.3	52.0
Widowed	0.1	0.2	0.0
	100.0	100.0	100.0
(5) Relationship to household head			
Husband/wife	8.5	8.4	10.2
Son/daughter	71.9	72.4	68.5
Son/daughter-in-law	2.2	1.2	5.5
Grandchild	2.6	2.5	0.8
Parent	1.0	1.2	0.8
Brother/sister	9.9	10.4	10.2
Other relations	4.0	3.9	3.9
	100.0	100.0	100.0
(6) Activity status			
Employed	38.9	34.6	48.6
Unemployed	19.7	21.3	16.5
Housekeeping	3.3	2.7	7.1
Student	37.9	41.3	26.8
Unable to work	0.3	0.0	1.6
Persons living on rents, pensions, etc	0.0	0.0	0.0
	100.0	100.0	100.0
(7) Employment status			
Self-employed	35.4	41.6	30.0
Wage/salary earners	31.7	28.0	43.3
Unpaid family workers	32.8	31.4	26.7
	100.0	100.0	100.0
(8) Occupation			
Professional and technical workers	6.2	2.8	13.1
Administrative workers	0.4	0.6	0.0
Clerical workers	4.4	4.5	4.9
Sales workers	1.1	1.7	0.0
Farm Managers	0.7	0.6	0.0
Cultivators	60.4	64.2	50.8
Other farmers	0.4	0.6	0.6
Agricultural labourers	11.4	11.7	13.1
Production and related workers	10.3	8.9	9.8
Service workers	4.8	4.5	8.2
	100.0	100.0	100.0
(9) Type of household			
Cultivating	54.9	52.6	56.7
Non-cultivating	45.1	47.4	43.3
	100.0	100.0	100.0
(10) Caste			
High	11.6	11.9	14.2
Cultivating	60.0	59.3	57.5
Artisan	13.3	14.5	11.0
Low	15.1	14.3	17.3
	100.0	100.0	100.0

*Figures in brackets indicate the level of education of the sampled population.

TABLE 3 : PERCENTAGE DISTRIBUTION OF OUT-MIGRANTS BY THEIR PRESENT PLACE OF RESIDENCE

Within District		Outside District but within State*		Outside State but within Region**		Outside Region but within India		Other Countries	Don't Know	All
ban	Rural	Urban	Rural	Urban	Rural	Urban	Rural			
8	7.3	19.9	6.6	22.1	2.4	18.5	1.9	7.2	1.3	100.0
20.1		26.5		24.5		20.4		7.2	1.3	100.0

There are in all 12 districts in the state of Punjab including Ludhiana.
Region includes the Union Territory of Chandigarh and the following neighbouring states: Jammu and Kashmir, Himachal Pradesh, Haryana, Rajasthan, and Uttar Pradesh.

TABLE 4 : DISTRIBUTION OF OUT-MIGRANTS BY HOUSEHOLD INCOME

ome ss* ciles)	Household Income	
	Excluding Remittances (per cent) (N=697)	Including Remittances (per cent)
	16.9**	6.5
	7.0	5.5
	7.0	5.2
	7.2	8.9
	8.8	9.2
	10.0	10.3
	7.5	8.5
	11.0	15.6
	10.9	13.5
	13.6	16.9
	100.0	100.0

Deciles refer to the overall income distribution of the sampled households (2124). The classes are for income excluding remittances: (1) Rs 750; (2) 751-1440; (3) Rs 1441-1999; (4) Rs 2000-2508; (5) Rs 2509-3178; (6) Rs 3179-3984; (7) Rs 3985-5040; (8) Rs 5041-6890; (9) Rs 6891-10015; (10) Rs 10016+; and for income including remittances : (1) Rs 1120; (2) Rs 1121-1740; (3) Rs 1741-2239; (4) Rs 2240-2770; (5) Rs 2771-3531; (6) Rs 3532-4330; (7) Rs 4331-5520; (8) Rs 5521-7448; (9) Rs 7449-10650; (10) Rs 10651+.

The figure for the bottom decile, which is the largest in the column, needs to be adjusted for two factors. There are some households which have reported a negative income for reasons of crop failure. All of them fall in this group. We have used an index, based on ownership of agricultural land and/or a *pucca* house and at least two durable goods, such as car/jeep, motor cycle/scooter, refrigerator, television set, gun/revolver, radio, ceiling/table fan, and the like, to find out which of these households are actually poor. Also, some of the households have reported a nil income. There are cases of households in which the only earning member in the household has migrated, leaving his family behind. The second factor necessitated adjustments all along the line. The adjusted figures do not alter the result in any significant manner.

racteristics of out-migrants show that rural areas have received a larger centage of migrants who were emved at the time of out-migration 6 per cent) than the urban areas (34.6 per cent). Since more than three-fourths of out-migration to the rural areas is taking place within the state (Table 3), this indicates growing labour mobility which is an essential concomitant of economic development. On the other hand, the strong preference of students for migration to urban areas is mainly explained by the fact that the better jobs which they seek would normally be available only in urban areas.

The data on employment status at the time of out-migration disclose that unpaid family workers are migrating in a larger proportion than the size of this category in the sampled population as a whole. This may be due to higher incidence of underemployment among them than among other categories of employed persons. It can also be seen that wage-earners constitute the largest category among out-migrants to the rural areas, while self-employed workers constitute the largest category among out-migrants to urban areas. A careful scrutiny of data has revealed significant differences in the levels of education of the two groups: those who are self-employed have also higher educational attainments.

Occupationwise, the three significant categories of employed out-migrants are cultivators (60.4 per cent), agricultural labourers (11.4 per cent), and production process workers (10.3 per cent). In the category of out-migrating professionals and technical persons numbering 17, twelve are teachers, two paramedical persons, two religious workers and one engineer and one technician. Ten out of 13 service workers are home guards and security workers, two are washermen and one is a barber. A remarkable category of out-migrants is the sales workers, all of whom migrated to the urban areas. They are *banians*[6] who normally engage in money-lending as well as trade. Their shifting to towns provides an essential link with the rapid growth of agriculture, at the same time as it widens the scope of their activities. Most of these persons are out-migrating in complete family units and have not therefore been captured in our migration data. The breakdown of production process workers has revealed that they belong mostly to the artisan class that cannot find remunerative work for lack of demand for their traditional skills because of disintegration of the household industry and introduction of new farm machinery.

(g) *Household characteristics*

The data on the type of out-migrant households reveal that a little over one-half (54.9 per cent) belong to the cultivating category. Among those who migrated to the rural areas this proportion is marginally higher (56.7 per cent) than among those who migrated to the urban areas (52.6 per cent). For the obvious reason that out-migration to other countries requires a large initial financial outlay, three-fourths of out-migrants to other countries (74 per cent) belong to this class. An examination of data on land holdings disclosed that 74 per cent owned land.[7]

The data on farm size show that about one-third of the cultivating out-migrant households own less than 5 acres, about one-half between 5-15 acres, and the remaining more than 15 acres.[8]

According to the data on household size, 30.8 per cent of out-migrants originated from smaller households of upto four members. Another 25.7 per cent originated from households consisting of five to six members. As the size of household increases, the percentage of out-migrants diminishes. While the percentage of households consisting of 13-24 members is 5.2 in the sampled population, only 3.3 per cent of the out-migrants originated from these households. The average size of the out-migrant households works out to 8.52 members, as against 6.15 members for the sampled population as a whole.[9]

An assessment of the data on the social background of out-migrants reveals that only 15.1 per cent belong to the scheduled and low castes.[10] According to the 1971 Census figures. Ludhiana's population of scheduled castes is 23.8 per cent of the district's total

population. Since the proportion of out-migrants from these castes is smaller than their proportion in the population, it may be inferred that the percentage of scheduled and low caste population in the rural areas of the district is increasing as a result of out-migration flows.[11] The data on social status of in-migrants, analysed subsequently, lends weighty support to this conclusion.

The data on amenities reveal that there is a larger percentage of semi-*pucca* and *pucca* dwellings belonging to the out-migrant households than in the sampled population. The figures on electricity also point in the same direction. Some of the improvements may have been the effect of remittances made by the out-migrants.[12]

The most striking results are those relating to the incomes of out-migrant households, with and without remittances, laid out in Table 4. It can be seen that the out-migration flow is dominated by the poorest (the bottom decile) and the richest (the top three deciles). This runs counter to the widely held thesis that the rural out-migrants do not come from the richest or the poorest levels.

(h) *Reasons for out-migration*

The data on reasons for out-migration provide ample confirmation of the traditional theory of out-migration linking it with economic conditions of the out-migrants at home. Of out-migrants, 93.4 per cent migrated for reasons of employment or improvement of income, 2.4 per cent for education and the remaining 3.7 per cent for other reasons. An examination of the household data reveal that 'not enough work' category is largely a category of unemployed persons. Twenty out of 36 persons who joined the armed forces were students, three were unemployed, and the remaining 13 persons had jobs with low income. Of 17 persons who migrated for higher education, three were employed, two were unemployed and the remaining 12 were students.[13]

III
In-migrants

(a) *Demographic and related characteristics*

The demographic characteristics of in-migrants have no specific relationship to those of out-migrants. However, as in the case of out-migrants, since wives who accompany their husbands and children below 12 years of age have been excluded, it shows strong male domination (95.4 per cent). In sharp contrast with out-migrants, the average age of in-migrants is much higher. 61.6 per cent are above 24

TABLE 5: DISTRIBUTION OF IN-MIGRANTS AND THEIR HOUSEHOLDS BY DEMOGRAPHIC, ECONOMIC AND SOCIAL CHARACTERISTICS ON ARRIVAL

		All In-migrants (per cent) (N=413)	Last Place of Reside	
			Urban (per cent) (N=71)	Rural (per ce (N=33
(1)	**Age (years)**			
	12-14	5.8	7.0	5.6
	15-19	13.3	16.9	12.2
	20-24	19.4	22.5	18.4
	25-29	14.3	7.0	16.0
	30-39	19.4	21.1	19.3
	40-49	10.7	7.0	11.6
	50+	17.2	18.3	16.9
		100.0	100.0	100.0
(2)	**Education**			
	No formal education	57.9	54.9	58.2
	Less than high/higher secondary school	26.6	31.0	25.8
	High/higher secondary	13.3	12.7	13.6
	Less than graduate	0.0	0.0	0.0
	Technical graduate	0.2	0.0	0.3
	General graduate	1.9	1.4	2.1
		100.0	100.0	100.0
(3)	**Sex**			
	Male	95.4	94.4	95.8
	Female	4.6	5.6	4.2
		100.0	100.0	100.0
(4)	**Marital status**			
	Married	66.3	67.6	66.8
	Unmarried	32.2	32.4	31.8
	Widowed/separated	1.4	0.0	1.5
		100.0	100.0	100.0
(5)	**Relationship to household head**			
	Husband/wife	70.0	70.4	70.3
	Son/daughter	13.6	16.9	12.5
	Son/daughter-in-law	1.2	0.0	1.5
	Grandchild	1.2	0.0	1.5
	Parent	1.5	1.4	1.2
	Brother/sister	3.9	2.8	4.2
	Other relations	8.7	8.5	8.9
		100.0	100.0	100.0
(6)	**Activity Status**			
	Employed	86.7	77.5	88.7
	Unemployed	4.8	11.3	3.6
	Housekeeping	2.7	5.6	2.1
	Student	3.4	1.4	3.9
	Unable to work	1.7	2.8	1.2
	Persons living on rents, pensions, etc	0.7	1.4	0.6
		100.0	100.0	100.0
(7)	**Employment status**	N=361	N=58	N=301
	Self-employed	42.9	34.5	44.5
	Wage/salary-earners	37.4	48.3	35.2
	Unpaid family workers	19.7	17.2	20.3
		100.0	100.0	100.0
(8)	**Occupation**	N=357	N=56	N=299
	Professional and technical workers	4.5	1.8	5.0
	Administrative workers	0.6	1.8	0.3
	Clerical workers	2.0	3.6	1.7
	Sales workers	6.7	8.9	6.4
	Cultivators	48.5	30.4	52.2
	Other farmers	0.3	0.0	0.3
	Agricultural labourers	22.4	14.3	23.7
	Production and related workers	10.4	32.1	6.0
	Service workers	4.5	7.1	4.0
		100.0	100.0	100.0
(9)	**Type of households**	N=413	N=71	N=337
	Cultivating	55.2	40.8	58.8
	Non-cultivating	44.8	59.2	41.2
		100.0	100.0	100.0
(10)	**Caste**	N=413	N=71	N=337
	High	16.7	28.2	13.9
	Cultivating	33.2	18.3	36.5
	Artisan	19.4	28.2	17.8
	Low	30.8	25.4	31.8
		100.0	100.0	100.0

TABLE 6 : DISTRIBUTION OF IN-MIGRANTS BY LAST PLACE OF RESIDENCE AND PLACE OF BIRTH

Last Place of Residence		Place of birth: Within District U	Within District R	Outside District but within State U	Outside District but within State R	Outside State but within Region U	Outside State but within Region R	Outside Region but within India U	Outside Region but within India R	Other Countries	Don't Know	All N	All Per Cent
Within district	U	7	1		2		1			2		13	3.1
	R	3	133	2	7	1		2		31		179	43.3
Outside district but within state	U		2	17	2					8		29	7.0
	R		1	1	85		1	1		29		118	28.6
Outside state but within region	U				3	15	1			3		22	5.3
	R			1		1	23			6		31	7.5
Outside region but within India	U			1				6				7	1.7
	R								9			9	2.2
Other countries										3		3	0.7
Don't know					1						1	2	0.5
												413	100.0

Note : U=urban; R=rural.

TABLE 7: EMPLOYMENT CHARACTERISTICS OF IN-MIGRANTS AFTER ARRIVAL IN THE VILLAGE

Characteristic	All In-migrants (per cent)	Last Place of Residence: Urban (per cent)	Last Place of Residence: Rural (per cent)
(1) **Period unemployed**	N=19	N=9	N=10
1 month	5.3	0.0	10.0
2 months	21.1	11.1	30.0
3 months	10.5	11.1	10.0
4 months	10.5	11.1	10.0
6-12 months	21.1	44.4	0.0
1 year or more	31.6	22.2	40.0
	100.0	100.0	100.0
(2) **Occupation during first six months**	N=356	N=56	N=298
Professional and Technical workers	5.9	3.6	6.4
Administrative workers	0.3	1.8	0.0
Clerical workers	2.5	3.6	2.3
Sales workers	6.7	10.7	6.0
Service workers	4.2	5.4	4.0
Cultivators	49.2	33.9	52.3
Farmers (other than cultivators)	1.1	1.8	1.0
Agricultural labourers	23.6	32.1	21.8
Other agricultutal workers	0.3	0.0	0.3
Production and related workers	6.2	7.1	5.7
	100.0	100.0	100.0
(3) **Employment status**	N=356	N=56	N=298
Self employed	49.6	48.3	49.8
Wage/salary earners	36.6	43.1	35.2
Unpaid family workers	13.9	8.6	15.0
	100.0	100.0	100.0

ars of age, and 47.3 per cent above years. There is a fair number of ler people also, which is an insignifiant category among out-migrants. hile two-thirds of out-migrants were t married, two-thirds of in-migrants e married. The detailed characteris-s of in-migrants and their house-lds are presented in Table 5.

) *Education*

The educational characteristics of in-grants are rather disturbing. Of them, .9 per cent have no education whatever and another 26.6 per cent are of less than high/higher secondary school level. Taken with the data on occupation before migrating it appears that most of the in-migrants are cultivators and agricultural labourers who are coming to partake of new opportunities as a result of rapid agricultural development in the district.

(c) *Relationship to household head*

Because of exclusion of wives and children, 70 per cent in-migrants appear as heads of households. The percentage share of sons and daughters, which was the largest category among the out-migrants (71.9 per cent), is only 13.6 per cent.

(d) *Distance*

The spatial data on in-migration (Table 6) reveal three distinct features. First, it is largely (82 per cent) restricted to places within the state. Secondly, a fairly large number of total in-migrants (46.4 per cent) are relocating themselves within the district. Thirdly, it is heavily (81.6 per cent) rural in character. This kind of reshuffle is explained by the fact that Ludhiana has maintained an overwhelming lead in agricultural development over all other districts in the state, at the same time as Punjab has maintained a higher rate of growth than all other states in the country.

The data on place of birth, taken along with data on previous place of residence, show that there is also a considerable amount of step migration: people move to their final destination by stages. Further, rural migration tends to be more stable than urban. The off-diagonal elements in the Table show that the number of step migrants is 114 (27.61 per cent of the total in-migrants).

There are 82 in-migrants (19.9 per cent of the total) whose place of birth is other than India. Of these, 79 appear to be refugees from Pakistan who migrated to some other places at the time of the partition of the country before coming to their present villages.

(e) *Trends*

The data on the periodic growth of in-migration indicate that in-migration is increasing, though by slow degrees. The figures for the three quinquenniums preceding the survey are: 29.8 per cent during 1962-63 to 1966-67, 31.7 per cent during 1967-68 to 1971-72 and 38.3 per cent during 1972-73

TABLE 8: PERCENTAGE DISTRIBUTION OF IN-MIGRANTS BY HOUSEHOLD INCOME

Income Class* (deciles)	Household Income	
	Excluding Remittances	Including Remittances
	N=413	
1	8.5	10.4
2	9.7	9.4
3	7.7	9.0
4	11.1	9.4
5	9.4	10.9
6	9.4	9.2
7	10.9	11.6
8	9.2	8.7
9	9.7	8.0
10	14.3	13.3

* Deciles refer to the overall income distribution of the sampled households (see footnote to Table 4).

to 1976-77. Those who in-migrated before 1962-63 are only 0.2 per cent.

Distant in-migration from places within India appears to to be a recent development. There is no case of in-migration from outside the region before 1971. While in-migration within the state is becoming increasingly urban in origin, that from outside is becoming increasingly rural in origin. It appears that as a result of the green revolution in the region (1966-71), there was a larger inflow of agricultural labour from other areas. However, this period attracted a different category of migrants: the in-migration from within the district slowed down, while that from other areas in the state increased. An analysis of data on income of those in-migrants who were working before in-migrating shows that the average annual income of in-migrants during the quinquennium 1967-68 to 1971-72, which more or less corresponded with the green revolution period, was smaller than during the quinquennium which preceded or followed. The average annual incomes of those who in-migrated during the three quinquenniums are Rs 2,494 (1962-63 to 1966-67), Rs 1,970 (1967-68 to 1971-72) and Rs 2,820 (1972-73 to 1976-77).[14]

(f) *Economic characteristics*

The main economic characteristics of in-migrants before migration reveal that among those who were already employed, the two largest categories migrating from rural areas are cultivators (52.2 per cent) and agricultural labourers (23.7 per cent). About 45 per cent of in-migrants from the urban areas also belong to these two categories (cultivators 30.4 per cent and agricultural labourers 14.3 per cent). But since migration from the urban areas is only a small part of the total in-migration, this is not a numerically significant proportion in the total context. What is significant however about this class of in-migrants is that not even one of them came from a place outside the region. A detailed scrutiny of data also suggests that these people were engaged in agricultural activities on the periphery of the towns or lived in areas which were earlier rural. Some of them are being sucked out by the urbanisation process which is impinging heavily on agricultural land.

The data on activity status of in-migrants from the urban areas reveal that among those who were unemployed before in-migrating (11.3 per cent), there are hardly any who have completed the high school level. Thus, it appears that most of the educated unemployed are being held by the urban areas. Those who were engaged in sales work at the time of in-migrating (6.7 per cent) are all retail traders and vendors, which shows that this class is moving both ways. The same is true of service workers (4.5 per cent) most of whom were security guards or petty functionaries, such as cleaners and cooks. The occupational analysis of production process workers (10.4 per cent) which constitutes the same percentage among in-migrants as among out-migrants, suggests that they were suppliers of middle-level skills before in-migrating, e g, mechanics, carpenters, tailors, linemen, drivers, etc. This is the largest category among those who in-migrated from the urban areas (32.1 per cent).

The fact that 42.9 per cent of in-migrants were self-employed at the time of in-migrating, of whom 87 per cent are from the rural areas, supports the view that they are being pulled by relatively high growth in agricultural productivity. The same appears to hold for wage-labour (37.4 per cent) which is the second largest category. Unpaid family workers (19.7 per cent) belong partly to the households of the self-employed category and partly are persons who have found gainful work in rural areas.

The average household income of in-migrant households at the time of the survey (1977) was Rs 4,658. Although personal income is not comparable to household income, yet some rough idea can be formed of the income status of in-migrants by considering their average incomes at the time they in-migrated. These are: 45.8 per cent, less than Rs 1,500; 41 per cent, between Rs 1,500-4,000; and 13.2 per cent, above Rs 4,000. If we include in the last category those who were earning Rs 4,000, this figure becomes 17 per cent. It is only this group that c regarded as somewhat comforta terms of income at the time migrating.[15]

Three-fourths of in-migrants per cent) owned no agricultural before in-migrating. Only a number (1.4 per cent) had land 15 acres. Of the remaining, 1 cent had less than five acres an per cent between 5-15 acres. Of 9 migrants who owned agricultural 90 sold their land before in-migra An assessment of assets brought s that between one-fourth and one brought insignificant amounts, but a one-fourth brought tidy sums of or productive assets of consider worth, or both. It appears that migrants sold their estate and ca non-disposable productive assets them. The data on property show about 10 per cent owned houses of value of Rs 5,000 or above. A deta examination of cases where cash or sets exceeded Rs 10,000 in value sh that not a single in-migrant belon to the category of big or even up middle landlords.[16]

(g) *Reasons for in-migration*

The data on reasons for in-migrat is another vindication of the tra tional theory of migration. Prospects better income in the rural areas persons who did not make enou money in the places from which th have migrated or found their job certain or disagreeable emerges as most important reason for in-migrati Of all in-migrants, 39 per cent g this as their main reason. This followed by allotment or purchase agricultural land which promised a b ter income and motivated another 3 per cent. Transfers for personal reas amounted to 6.1 per cent, while per cent accompanied their famil Attraction of friends or relatives liv in the places to which they have mig ted accounts for another 11.4 per ce

(h) *Employment characteristics a in-migration*

The employment characteristics in-migrants after migration (Table reveal that there are only six in-migra who could not find any work fo year or more. Half of those who fo work within six months were cult tors and one-fourth agricultural bourers. Other significant catego were sales workers, middle-level ski workers, professional men (mo teachers), and service workers.

The job status of in-migrants a they migrated shows that the perc age of self-employed persons and w

TABLE 9: CHARACTERISTICS OF RETURNED-MIGRANTS BEFORE THEY LEFT THE VILLAGE AND RELATED INFORMATION

	Per Cent
) **Sex**	N=133
Male	94.7
Female	5.3
	100.0
) **Education**	N=133
No formal education	23.3
Less than high school	42.1
High school completed	32.3
Graduate	2.3
	100.0
) **Marital status**	N=133
Married	42.9
Unmarried	56.4
Divorced	0.8
	100.0
) **Age (at time of leaving)**	N=133
12-14	0.8
15-19	41.4
20-24	34.6
25-29	8.3
30-34	5.3
35-39	3.8
40-49	3.8
50+	2.3
	100.0
) **Occupation**	N=64
Professional and technical workers	1.6
Administrative workers	0.0
Clerical workers	1.6
Sales workers	1.6
Service workers	3.1
Cultivators	73.4
Farmers (non-cultivating)	1.6
Agricultural labourers	10.9
Production and related workers	6.3
	100.0
) **Employment status**	N=133
Self-employed	49.2
Wage/salary earners	26.2
Unpaid family workers	24.6
	100.0

	Per Cent
(7) **Activity status**	N=133
Employed	48.1
Unemployed	17.3
Housekeeping	4.5
Student	30.1
Rentier (persons living on rents, pensions, etc)	0.0
	100.0
(8) **Reasons for leaving**	N=133
No work	9.8
Seek better job	36.1
Offered better job	10.5
Not enough work	16.5
Lost land, etc	0.8
Bought land, business	1.5
Joined armed forces	12.0
Low wage	1.5
Unsatisfactory work	0.8
Marriage	3.0
To get education	3.8
Follow family	2.3
Like town life	0.8
Don't know	0.8
	100.0
(9) **Income from employment** (Rs per month)	N=55
1-99	20.0
100-199	38.2
200-299	16.4
300-399	9.1
400-499	5.5
500-599	1.8
600+	9.1
	100.0
(10) **Expected job on arrival**	N=133
Professional and technical workers	2.5
Administative workers	0.0
Clerical workers	7.6
Sales workers	0.8
Service workers	61.9
Cultivators	0.8
Farmers (non-cultivating)	0 8
Agricultural labourers	0.8
Production and related workers	24.6
	100.0

ers is somewhat higher, while that unpaid family workers is consider- lower than before migration.

Household characteristics

he data on the type of in-migrant scholds reveal the same pattern as out-migrant households: a little one-half (55.2 per cent) belong to cultivating category.

nce cultivation is the major occu- on of in-migrants, they seem to invested their resources in creat- property in agricultural land. How- their holdings are of very modest Of 55 per cent in-migrants who or cultivate land, 6.5 per cent up to 2.5 acres, 56.4 per cent own 5 acres, 21.6 per cent own 5.1-7.5 acres and the remaining 15.8 per cent own 7.6-10 acres.[18]

The average household size of in-migrants is 6.1, which is about the same as for the sampled population (6.15).[19]

The data on social background of in-migrants confirm the view expressed earlier in the section on out-migration that the migration process is increasing the percentage of scheduled and low caste population in the rural areas of the district. As a category, they are significantly larger (30.8 per cent) than the percentage of scheduled caste population in the district (23.8 per cent).

The data on amenities do not show that in-migrant households are any better off than the sampled population. While a slightly smaller percentage of in-migrants live in semi-*pucca* and *pucca* houses, the percentage of in-migrant households enjoying the amenity of electricity is somewhat higher.[20]

The data on distribution of in-migrants by household income reveal that in-migrants are somewhat better off than the sampled population (Table 8). This would be clear from the fact that there are only 25.9 per cent in-migrants in the bottom three deciles and as many as 14.3 per cent in the top decile.

IV
Returned-migrants

Analysis of return-migration is an important part of scanning the migration process, as it views out- and in-migration as related events. The characteristics of returned-migrants can provide useful information about the kind of migrants whom the urban areas assimilate and whom they do not, and the impacts which return-migration has on rural development.

Since returned-migrants are persons who had left the village earlier but had subsequently returned, it would be interesting to compare their demographic and economic characteristics at the time of their leaving the village with those of the current stream of out-migrants discussed in Part I. These characteristics, along with other related information, are presented in Table 9. There are two more Tables, one giving information concerning the period while the migrants were away (Table 10) and the other after they had returned to the village (Table 11).

(a) *Before returned-migrants left the village*

The data show that the percentage of males among returned-migrants is about the same as among out-migrants. So is the age structure, which shows that three-fourths of migrants in both the categories left while they were very young. However, a larger percentage of returned-migrants were married at the time of their leaving the village, which is indicative of a closer degree of their attachment to the village and could have influenced their decision to return.

The educational characteristics of returned-migrants reveal that they were comparatively less educated than the out-migrants as a category. They had a higher percentage of uneducated persons as well as those below the high school level.

Further, as compared to out-migrants,

TABLE 10: CHARACTERISTICS OF RETURNED-MIGRANTS WHILE THEY WERE AWAY AND RELATED INFORMATION

		Per Cent
(1) **Period absent from village (years)**		N=133
Less than 1		1.5
1-3		12.8
3-5		6.8
5-7		20.4
7-9		8.3
9 and over		50.4
		100.0
(2) **Activity status***		N=133
Employed		87.2
Unemployed		2.3
Housekeeping		4.5
Student		6.0
Rentier (person living on rents, pensions, etc)		0.0
		100.0
(3) **Employment status***		N=117
Self-employed		12.0
Wage/salary earner		87.2
Unpaid family worker		0.9
		100.0
(4) **1st Occupation***		N=116
Professional and technical workers		2.6
Administrative workers		0.0
Clerical workers		8.6
Sales workers		0.9
Service workers		63.8
Cultivators		0.0
Farmers (non-cultivating)		0.9
Agricultural labourers		0.9
Production and related workers		22.4
		100.0
(5) **Place of migration**		N=133
Within district	Urban	12.0
	Rural	3.8
Outside district but within state	Urban	15.0
	Rural	5.3
Outside state but within region	Urban	29.3
	Rural	3.0
Outside region but within India	Urban	25.6
	Rural	0.8
Other countries		3.0
Don't know		2.3
		100.0
All India	Urban	84.8
	Rural	15.2
		100.0

* During the first six months after leaving the village.

a larger percentage of returned-migrants were cultivators before they left. As such, a relatively higher proportion of them were employed and also appear in the self-employed category. This suggests that these returned-migrants owned or cultivated land in the village before they left. As such, they had a stronger interest in returning as well as a better opportunity.

The data relating to the reasons for returned-migrants leaving the village in the first instance reveal that 89.3 per cent left for work or better income. Except for one individual who migrated because he had a preference for town life, the remaining 9.8 per cent of persons migrated for education or for personal reasons which included the need to accompany the family.

An assessment of data on income at the time of migrating from the village shows that only 25.5 per cent of the returned-migrants were receiving incomes which could be described as adequate (Rs 300 p m or more). Thus, it is apparent that returned-migrants are persons who were strongly motivated by economic opportunities in the urban areas.

An analysis of the data on job expectations of returned-migrants shows that 61.9 per cent had expected to become service workers (mostly security guards), 24.6 per cent production and related workers, and another 10.1 per cent professional, technical, administrative and clerical workers. The small residual category (3.2 per cent) included employment in trade or in activities related to agriculture.

(b) *While returned-migrants were away*

A detailed study of individual cases after the migrants had left the village (Table 10) brings out that all except 2 3 per cent, who remained unemployed for a maximum period of 12 months, found work within six months of their arriving at their new destination. The pattern of jobs they actually found more or less conforms to that revealed in their expectations. This may suggest that returned-migrants had complete and accurate knowledge of labour markets at the time of their out-migration. But that is highly unlikely. What is more likely is that returned-migrants could not properly distinguish between their expectations and realisations and their answers at the time of interview were influenced by the kind of jobs they actually found.

The spatial data show that return-migration is largely from the urban areas and about two-thirds of it is from outside the state. The data on the periodic growth of return-migration show that return-migration has been growing in volume, the figures for the three quinquenniums pr 1976-77 being 48.5 per cent (to 1976-77), 34.1 per cent (196 1971-72) and 14.4 per cent (196 1966-67). There are only four c returned-migrants before 1962-63

About four-fifths of returned-m were away for more than five ye whom more than half were aw 9 or more years. Except for a number (4.5 per cent) all of the lived away for the first time. Ho about one-fifth have also state they intend re- out-migrating, suggests that there is some ci migration, too, though its incide not large.

The data on age at the ti return-migration indicate that a large number of migrants ret while still young (46.7 per cen between 12-29 years), but there fair percentage of comparatively people too (23.3 per cent are 40 and above).

(c) *After returned-migrants arrive the village*

The split-up of data on reasons return-migration (Table 11) shows in 30.8 per cent of cases return-mi tion is induced by low income or of employment at the place of or of the returned-migrants, in 21.8 cent of cases they returned to t villages on retirement, and in 32.3 cent of cases they returned for p sonal or family reasons. There are 10.5 per cent of cases where the d sion to return is related to acquisit of agricultural land or are cases target migrants or such persons w saved enough capital to resume w in the village. There are six cases the residual category: three of stude who completed their studies, two persons who did not like town life one of a teacher who was transfer

Since there is a view that return migrants carry special skills and perience which may catalyse r development, every single case of skil migrant was carefully examined. results show that there are 37.6 cent returned-migrants who had quired technical skill while away. H ever, these are not skills related agricultural development in any di manner, but are technical skills o fairly high order which can be of in a highly mechanised agricultural gion. Most of these skills were quired by migrants while on the in the armed forces or enterprises quiring technical work. And t carried these skills with them on ret ment. Two of the returned-migra

TABLE 11A : CHARACTERISTICS OF RETURNED-MIGRANTS AFTER THEY ARRIVED IN THE VILLAGE AND RELATED INFORMATION

	Per Cent
**) Period since return migration (years)	N=133
Less than 5	48.5
5-10	34.1
10-15	14.4
15+	3.0
	100.0
) Whether 1st time away	N=133
Yes	95.5
No	4.5
	100.0
) Whether intending to migrate again	
Yes	20.3
No	79.7
	100.0
) Whether skill acquired	N=133
Yes	37.6
No	62.4
	100.0
5) Age on return (years)	N=133
12-14	0.0
15-19	3.8
20-24	21.8
25-29	21.1
30-34	17.3
35-39	12.8
40-49	15.0
50+ ..	8.3
	100.0
6) Activity-status	N=133
Employed	82.7
Unemployed	4.5
Housekeeping	3.8
Student	0.8
Unable to work	4.5
Rentier (person living on rents, pensions, etc)	3.8
	100.0
7) Money brought back (Rs)	N=133
None	29.3
1-1000	22.6
1001-4999	36.1
5000+	12.0
	100.0

	Per Cent
(8) Reasons for return-migration	N=133
Job finished	17.2
Low income	8.3
Not liked job	5.3
Saved enough	1.5
Work in village	2.2
Inherited land	5.2
Family bought land	0.8
Fear, lose land	0.8
Retirement	21.8
Parents old	11.3
Sick, accident	3.8
Job transfer	0.8
Personal reasons	16.4
Study ended	2.3
Not liked town	1.5
No reason	0.8
	100.0
(9) Type of house	N=133
Katcha	22.6
Semi-*pucca*	30.1
Pucca	47.4
	100.0
(10) Years since electricity installed	
1-3	18.8
4-6	12.9
7+	27.8
No electricity	40.6
	100.0
(11) Relationship to household-head	
Husband/wife	63 2
Son/daughter	28.6
Parent	0.8
Brother/sister	6.8
Other relation	0.8
	100.0
(12) Type of household	
Cultivating	60.2
Non-cultivating	39.8
	100.0
(13) Caste	N=133
High	10.5
Cultivating	65.4
Artisan	10.5
Low	13.5
	100.0

. medical graduates who are cur-tly engaged in professional work. e fact that 82.7 per cent returned-grants were employed at the time of survey shows that the majority of m are still economically active.

The data further show that 70.7 per t returned-migrants brought cash h them and 12 per cent brought ly large sums (Rs 5,000 and above). small number of returned-migrants o carried assets of modest value.

The data on distribution of income d amenities show that returned-migrants are significantly better off than other groups in the sampled population. Half of the returned-migrant households belong to the top 30 per cent of income-recipients in the rural areas and less than one-fourth to the bottom 40 per cent. The statistics relating to the type of household show that 60.2 per cent are in the cultivating category. An examination of individual cases showed that all of them owned land.

The share of scheduled and low caste persons among returned-migrants is 13.5 per cent, which is roughly the same as among out-migrants. This should offset the tendency mentioned earlier that the proportion of scheduled and low caste persons in the total rural population of the district is increasing, because the share of this category is smaller among out-migrants (15.1 per cent) and larger among in-migrants (30.8 per cent) than its share in the total population (23.8 per cent). But as the number of returned-migrants is small when compared to the other two categories, this offsetting influence would be too small to alter the situation.

V
General Conclusions

The above data and analysis point to certain conclusions which may be set out as follows:

(1) Within Punjab's green revolution belt migration of labour has come to be witnessed since the early sixties. All three flows — out-migration, in-migration and return-migration — show a tendency to be on the increase. Out-migration from the rural areas is dominated by the poorest and the richest. This runs counter to the widely held belief that out-migrants do not come from these classes — a belief held on the assumption that the rich need not out-migrate and the poor cannot afford the cost of out-migration. The data on reasons for migration confirm the traditional theory that links migration with economic factors.

(2) The rate of out-migration here is higher than the combined rate of in- and return-migration. This has an obvious implication which has been somewhat overlooked so far, namely, that some of the shortage of labour reported from the region[21] may be done, in significant part, more to a higher net out-migration rate of labour than, as has been heretofore commonly assumed, any new methods of agriculture. As a corollary, the role of mechanisation in promoting employment — and, in particular, the effects of tractorisation — will need to be re-examined in the context of these findings.

(3) Out-migration from this area is a phenomenon involving individuals computably viable. In terms of human capital then, rural areas of the region are getting depleted of their more resourceful elements. However, there is a compensatory inflow of remittances which supplements capital formation and investment in productive activities. This could have been, of itself, a significant factor in sustaining agricul-

TABLE 11B : DISTRIBUTION OF RETURNED-MIGRANT HOUSEHOLDS BY THEIR CURRENT INCOME

Income Class*	Household Income Excluding Remittances N=133	Household Income Including Remittances
1	7.5	9.0
2	6.0	5.3
3	6.0	5.3
4	6.0	4.5
5	3.8	9.0
6	12.8	9.8
7	9.0	7.5
8	11.3	13.5
9	15.0	15.0
10	22.6	21.2
	100.0	100.0

*Income classes refer to the total sampled population, and rise, so that class 1 refers to the lowest decile in the population.

tural development in the region. As the study indicates, remittances provide an important corrective element in certain unfavourable imbalances of income that would exist prior to, and without, them.

In the rural population of the district, the proportion of scheduled and low caste persons is gradually increasing. This can have severe social and political repercussions in time to come. The increasing consciousness, and occasional assertion of their rights on the part of the scheduled and low castes may well generate a host of issues that social scientists would need to collectively evaluate.

(5) The district of Ludhiana, by virtue of its achievement in agriculture, is attracting people from other districts of Punjab and also from other states of the Indian Union. These flows may not be considerable at present, but portend to become more marked with the passage of time, if the district retains its present lead in agricultural achievement. In this respect it is hoped that any returning number of inmigrants will take away with them some of the progressive characteristics of the people of Ludhiana as a whole and help in catalysing rural development in their home areas.

Notes

1 Gunnar Myrdal, "Asian Drama", Vol I (New York, 1968), pp 467-71.
2 Government of India, Planning Commission, Draft Five Year Plan, 1978-83 (1978), p 243.
3 *Ibid*, pp 243-44.
4 A recent survey by the United Nations shows that 50 per cent of the less developed countries label the growth of their metropolitan areas as excessive and 46 per cent have formulated policies to divert migration from the metropolitan areas. See, United Nations, "Population Policies and Programmes", E/CONF, CPB 21, June 1974.
5 1961 was a convenient cut-off point for several reasons: it provided a sufficiently long period of time to analyse the implications of migration for rural and urban development: it afforded enough observations to discern long-term trends; and it coincided with the 1961 Census year which enabled us to look at the Census data. Retrospective information earlier than this would not have been easy to gather.
6 Mostly Hindu merchants.
7-9 With a view to saving space the Tables carrying detailed data have been omitted.
10 The figure has been adjusted for such artisans as come from the same group.
11 It is assumed that the prop of scheduled castes in the dis rural population is the same the district's total population.
12-20 See 7-9 above.
21 There are four months in shortage of labour is reporte April, July, October and No ber. This is partly met by ex ing the working time and number of working days and p by temporary in-migrants. Du the remaining eight months is a surplus of labour which v from time to time. In a re study three economists of Pu Agricultural University at Ludh have estimated this surplus to between 7.65 per cent and 3 per cent of the available suppl farm labour in Punjab. See, " plus Farm Labour in Punjab" H S Bal and others (mimeograp 1979).

Empanelment of Consultants in CMDA

Applications are invited from the Consultants of repute for empanelment as Consultant of the Calcutta Metropolitan Development Authority. The empanelled Consultant will be required to undertake consultancy studies normally in the following fields :

1) Traffic & Transportation.
2) Architecture & Housing.
3) City Planning, Area Development & Urban Renewal.
4) Public Health & Environmental Engineering.
5) General Civil Engineering.
6) Socio-Economic Studies.
7) Mechanical & Electrical Engineering & Electronics.
8) Accounting & Financial Management.

The Consultants should furnish the following information alongwith their applications for consideration of the Authority.

1) Name of the organisation with Address & Telephone nos.
2) Name of Address of the collaborating firm, if any
3) Whether the firm has any office in Calcutta? If so, its address & telephone nos.
4) Date of setting up of the Calcutta Office.
5) Whether the firm is registered with the Calcutta Corpn./other Municipal bodies? If so, the number & date of registration.
6) Approximate floor space of the office(s) in Calcutta.
7) Names & particulars of professional personnel on full time employment in Calcutta Office(s) engaged in the different fields as mentioned above.
8) Names & particulars of professional personnel on part time employment in Calcutta Office(s) engaged in the specific field as mentioned above.
9) Names & particulars of professional personnel retained as adviser/consultant/associates in Calcutta Office(s) engaged in the specific field as mentioned above.
10) Total number of personnel in Calcutta Office(s) in full time capacity.
11) Major fields of specialization.
12) Brief details of past works undertaken.

The Consultants already empanelled in the Authority need not require to apply afresh.

The applications with all relevant particulars as per above should reach the office of the Director General of Planning & Development, 3 A, Auckland Place (5th Floor), Calcutta-17 by 15.4.80.

Marketable Surplus and Market Dependence

A Millet Region of Maharashtra

M V Nadkarni

A study of the behaviour of marketable surplus of foodgrains can help in designing a system of procurement and public distribution. The present study, thus intended, is based on a cross-section analysis of farm management data of a millet-dominated region, in which interestingly enough wheat assumes the role of a cash crop.

The study relates to foodgrains as a whole, but also individually to jowar, bajra and wheat. It makes use of disaggregated data for regression analysis to bring out the discontinuity in the relation between marketable surplus and output, and the role of market access as represented by weekly markets.

The study also brings out the dependence of farmers on the market for consumption, and the role of payments and receipts in kind. The difference between marketed and marketable surplus is part of the larger issue of commercialisation. How the different classes of farmers participate in the process of commercialisation in the commodity sphere is explored here within the limitations of the data available. The study, however, does not bring out the total market involvement of farmers apart from foodgrains.

The first section is introductory. The second presents the general picture of marketable and marketed surplus by size-classes. And the third gives some results of the regression analysis. The fourth deals with the market dependence of farm household. The final section contains concluding remarks.

I

haviour of Marketable Surplus

STUDY of the behaviour of marketable surplus of food crops can be significant help in designing a system of procurement and its rate structure. Purchases of foodgrains by farmers are a counterpart of the marketed and marketable surplus. A study of these could help in designing a public distribution system by giving an idea of the dependence of farmers — particularly of small farmers on the market to meet their consumption of foodgrains.

Though the present study was primarily intended to help in this practical objective, it could also be viewed in terms of a wider perspective. The question of marketed and marketable surplus is actually a part of the larger issue of commercialisation of agriculture. In a fully commercialised agriculture, production is for the market. It is reasonable to expect that, with increasing commercialisation, more and more of the rural folk would be forced to depend on the monetised market to meet their food requirements, just as more and more of production would be sold through markets. In this process, farmers' behaviour cannot be viewed in a purely mechanical way whereby they are assumed to retain some production for consumption at source and market the rest. We have also to see if the consumption of foodgrains by farmers is itself subject to the market process, whereby they sell one (or one variety) foodgrain and buy another.

An important aspect of commercialisation is how far the commodity sphere or product is 'freed' for the operation of market forces. None — not even the small or 'subsistence farmer' — is spared from the process. The nature of the rural commodity market for foodgrains that results in the process, how different size-classes of farmers participate in it, who among them are in a better position to benefit from the same, the role of non-monetary transaction like payments and receipts in kind, how these transactions themselves are subject to the market process, are some of the questions that arise here.

The present study attempts to investigate empirically these questions within the limitations set by the availability of data. Being confined to a cross-section of farm households, the study is not in a position to shed light on the impact of the market process on non-cultivating households and their role therein. Even regarding the cultivating households, the question of the impact of commercialisation on the land market, and such other issues, lie outside the scope of the study. Moreover, the study is confined to foodgrains alone, with jowar, bajra and wheat given particular attention. It does not, therefore, bring out the total market involvement of farmers.

The study acquires extra significance, as it deals with the behaviour of the marketable surplus in a region characterised by the dominance of millets, particularly jowar. Jowar is also the staple food of the region. Bajra and wheat are the other two important food crops. The study makes use of the cross-section data of 143 farm households, spread over 15 villages, from the Farm Management Survey for Ahmednagar district for the three years, 1969-70 to 1971-72, averaged for each household for the period.[1] Changes in annual stocks are not, therefore expected to affect our results. The data contain information not only on actually marketed quantities, but also on purchases from market, on consumption of foodgrains by sources, and on payments and receipts in kind. This enabled us to estimate marketable surplus independently. The data available for estimating marketable surplus are detailed and more dependable. There is, however, a strong possibility of under-recording of sales, particularly of wheat; and this may have resulted in under-estimation of marketed surplus. The present paper, therefore, is more concerned with marketable surplus than with marketed surplus — indicating only some features of the latter which stand out in spite of this limitation.

Three concepts of 'market surplus' are used in the study. 'Gross marketed surplus' represents actually marketed quantities; the same net of repurchases is termed 'net marketed surplus'. 'Marketable surplus' represents the difference between net available output (output net of seeds plus receipts net of payments in kind) and total consumption of foodgrains[2] (including consumption from market). For the sample as a whole, marketable surplus is net of the negative surplus

(of deficit farmers); the sum of positive surpluses alone would represent a gross marketable surplus of the sample or community. In the case of individual farm households, this difference does not arise and there is only one concept of marketable surplus.

While size-classwise distribution of market surpluses is studied through tabulation of data, the regression analysis focuses on the relationship between marketable surplus and output of the concerned crops, taking also into account other factors such as income from all sources, output of foodgrains other than the crop concerned, payments net of receipts in kind, and market access of the villages concerned. Except for market access, which is represented by the presence of weekly markets, the variables are taken on a per adult unit basis for regression analysis. Except for income and market access, the variables are in quantity and not in value terms. Price does not enter the picture as a variable determining marketable surplus. All this would need some explanation which is given below, along with necessary details of the approach adopted.

For the purpose of regression analysis, it was found that it was more rewarding to seek the relation of marketable surplus with output rather than with the size of farm, in the interest of obtaining more stable results which can have greater applicability. The variation in the productivity of crops was quite large both across farms and villages; a relationship in terms of size of farm, therefore, ran the risk of being statistically less significant, and also unstable as it would have limited significance for application elsewhere. On the other hand, the more fundamental relation is with output, size of farm being at best a proxy for output. Moreover, regarding marketable surplus of particular crops, it is the output of (and indirectly, the area under) the concerned crop which is relevant, rather than the size of the total holding. For purposes of procurement policy, it is important to have a *dependable* relation between marketable surplus and output. Once this is obtained, it should be possible to find the size of farm where a given output can be expected (given a crop pattern) based on the characteristics of the region and factors (like irrigation) governing productivity. There is no need to assume differential productivity between different size-classes for the purpose of procurement. On the other hand, a direct relation (estimated through regression), between marketable surplus and area, might result in a favourable treatment of large farms which are generally cultivated less intensively.

An important question in the behaviour of marketable surplus is whether its relation with output is non-linear, discontinuous, and more than proportionate. Neither log-linear nor quadratic equations gave us meaningful or significant results. Linear equations gave better results. Elasticities were calculated at the mean values to know if the response is more than proportionate.

The linear equations, moreover, were so tried as to bring out the discontinuity in the relation. This was done both through the introduction of dummy-type discontinuous variables and also through disaggregation of households on the basis of two criteria. The question of discontinuity arises in respect of output and also market access. Taking output first, the behaviour of marketable surplus is expected to differ as between households having adequate availability of foodgrains at source and those which do not have it. A demarcation line, in terms of availability of 500 grams of foodgrains per day or 1.83 quintals per year per adult unit, was hypothesised for this purpose. Separate equations were tried for households above and below demarcation. Even where all households are taken together, availability at source is represented by two variables to represent the discontinuity, one to represent availability upto this demarcation line and the other to represent the excess of actual availability over demarcation.[3] Households were also disaggregated on the basis of whether or not they are in villages with weekly markets. When all were taken together, a dummy variable was used to represent market access. Of the 15 villages covered, only five have weekly markets. The role of market access is often ignored; but taking it into account can give better insight into the behaviour of market surpluses. Villages with weekly markets are generally better placed for market access, and have better market information. Weekly markets, therefore, serve as a proxy for market access. Moreover, the presence of a local market by itself could be an advantage in a limited way, enabling easier marketability of small quantities and easier purchases of foodgrains.

The concept of income from c
vation used here is that of farm b
ness income i e, gross value of ou
minus paid-out costs (cost A).
was added to net income from sou
other than cultivation to arrive
total income from all sources. It is
total income from all sources wh
has been used as one of the indep
dent variables in regression analy
Valuation of output was done on
basis of average prices of respec
years for the 15 villages together.

The responsiveness of marketed
marketable surplus to prices lies o
side the scope of this study. Being
cross-section study, the question
responsiveness to price variation o
time does not arise here. As for pr
variation in the cross-section of f
mers, the needed data were not av
lable. The prices at which farmers s
their crops (and the time-pattern
sales) were not available. As so
other studies have done, we could h
used for respective villages the u
form village prices derived from t
value and quantities of *output* pr
sented in the Farm Manageme
Reports. Such 'village prices', ho
ever, make little sense when t
majority of villages have hardly a
market, not even weekly marke
Even in villages with weekly marke
affluent farmers may sell in mo
established and profitable market
whereas small farmers with little
sell may not bother to go to suc
markets and may get lower price
Different farmers also sell at differe
periods, when prices are different.
at all a serious study of price respo
siveness is to be made, it should tak
into account the prices relevant fo
different classes of farmers, instead
using a variable which reflects on
inter-village differences. It was cons
dered more rational to ignore the pri
variable than to take a misleadi
proxy.

II

Surplus by Size-Class

Jowar dominates in the region bo
in output and consumption, but mo
so in the latter. Taking all the hous
holds of the sample, jowar accoun
for 55.5 per cent of the gross outpu
of foodgrains, but 66.3 per cent
their total consumption of foodgrain
Wheat provides a contrast to thi
accounting for 17.1 per cent of gro
output and for only 6.9 per cent
total consumption of foodgrains. Baj
has a share of 20.6 per cent of gro

TABLE 1 : MARKETABLE AND MARKETED SURPLUS OF TOTAL FOODGRAINS BY SIZE-CLASSES

ize-Class in ectares, and lumber of ouseholds in ach Class	Marketable Surplus (kg) Per Hectare of Owned Area	Marketable Surplus as Per cent of NAO	Marketable Surplus as Per cent of Total Marketable Surplus for All Classes	Col (4) as Ratio Over the Share Per Cent of the Class in Owned Area	GMS as Per Cent of NAO	NMS as Per Cent of NAO
1	2	3	4	5	6	7
pto 2(13)	—375	—67.5	—4.7	—3.62	21.4	—12.5
.1—4 (25)	—0.7	—0.2	Negligible		24.1	—8.5
.1—6 (22)	45	14.0	3.6	0.44	27.7	6.8
.1—10 (33)	83	27.5	16.2	0.82	24.8	15.9
.1—15 (130)	130	51.4	28.6	1.28	34.7	31.0
ove 15 (26)	133	58.3	56.2	1.31	32.4	32.5
l (143)	102	37.6	100	1.0	30.8	21.4

tes : NAO Net Available Output;
GMS Gross Marketed Surplus;
NMS Net Marketed Surplus

TABLE 2 : MARKETABLE AND MARKETED SURPLUS OF JOWAR, BAJRA AND WHEAT BY SIZE-CLASSES

ize Class in hectares)	Marketable Surplus as Per Cent of NAO	Marketable Surplus as Per Cent of Total Marketable Surplus for All Classes	Share of Food Crop in Marketable Surplus of Total Foodgrains	Share of Food Crop in NAO of Total Foodgrains	GMS as Per Cent of NAO	NMS as Per Cent of NAO
(1)	(2)	(3)	(4)	(5)	(7)	(8)
			Jowar			
pto 2	—89.7	—10.1	**	53.9	4.7	—31.4
1 to 4	—10.3	—4.0	**	59.3	19.7	—10.0
1 to 6	—25.5	—9.9	—90 9	49.8	17.1	—9.4
1 to 10	14.7	14.5	29.8	55 6	18.4	—11.2
1 to 15	39.0	34.1	39.7	52.4	26.5	23.4
bove 15	48.6	75.4	44.6	53.5	31.5	30.3
ll	23.2	100	33.3	53.9	24.4	15.7
			Bajra			
pto 2	—119.5	—9.5	**	19.7	19.7	—11.8
.1 to 4	—24.2	—5.3	**	17.5	10.5	—31.9
.1 to 6	31.9	12.3	60.2	26.4	30.3	18.4
.1 to 10	—2.0	—1.2	—1.3	17.8	26.1	14.7
.1 to 15	53.4	40.1	24.8	23.9	30.6	29.7
bove 15	57.5	63.2	19.9	20.2	35.3	30.2
ll	32.0	100	17.7	20.8	29.7	20.4
			Wheat			
pto 2	61.8	2.5	**	20.6	47.8	28.6
.1 to 4	51.2	4.9	**	15.5	40.6	18.1
.1 to 6	63.2	7.3	71.3	15.7	52.9	37.8
.1 to 10	78.2	25.8	56.3	19.8	33.0	26.8
.1 to 15	76.8	19.0	23.5	15.7	53.1	47.3
bove 15	81.7	40.5	25.6	18.3	26.9	25.5
ll	75.5	100	35.5	17.7	37.2	30.5

te : ** Not calculated as the figure for all foodgrains was negative.
(Other Notes as in Table 1).

tput and 22.7 per cent in the consumption of foodgrains. This would dicate that the behaviour of marketable surplus differs as between crops. may be noted that the average farm rvest prices for the period were arly 19 per cent higher for wheat d 5 per cent lower for bajra than jowar.

The proporation of marketable surus to net available output, taking households together, was 37.6 per nt for total foodgrains, only 23.2 d 32.0 per cent respectively for jowar and bajra, and as much as 75.5 per cent for wheat. Wheat emerges as a cash crop in its own right. The proportion of net marketed surplus or even of gross marketed surplus can be expected to be lower than the proportion of marketable surplus among larger holdings. Theoretically, this could be due to retention or addition to stocks or due to non-market transactions (particularly, kind loans, etc, given by larger farmers). The first factor is not likely to operate in the present case, as averages of three years are taken here — unless of course there is an annual increase in stocks maintained by farmers. As to the second factor, we find that a conspicuous difference between marketable and marketed surplus arises mainly in the case of wheat and, there is no particular reason why non-market transactions should dominate in wheat alone. Gross marketed surplus and net marketed surplus as proporations of net available output amount to 34.8 and 30.5 per cent respectively for wheat, which are much less than the proportion of marketable surplus. The difference is not so conspicuous for other food crops. The proportion of gross marketed surplus to net available output amounts to 24.4 per cent for jowar, 29.7 per cent for bajra, and 30.8 per cent for total foodgrains; the proportions of net marketed surplus amount to 15.7 per cent for jowar, 20.4 per cent for bajra, and 21.4 per cent for total foodgrains. The difference between marketed and marketable surplus of wheat appears to be mainly due to under-recording of sales. It is interesting, however, that in spite of this possibility of significant under-recording in wheat, the proportions of marketed surplus are much higher for wheat than for other food crops.

Tables 1 and 2 present the behaviour of marketable and marketed surplus across different size-classes of ownership holdings,[5] for total foodgrains and for the three food crops, respectively. We find that both marketable and net marketed surplus are negative for jowar and bajra and for total foodgrains in the smallest two (or, as for jowar, even more) size-classes. It is only in the case of wheat that they are positive for all the size-classes. The proportions of both these surpluses tend to rise for total foodgrains as the size of holdings increases. This tendency is not quite smooth, particularly in bajra, the marketable surplus for which is negative even in the fourth size-class, though the third size-class has significant positive marketable surplus. Such distortions arise partly because size-class is no dependable indicator of the magnitude of output of particularly individual crops, and also because consumption at source as recorded may actually be to feed attached labour or even casual labour in busy seasons (such as mid-day meals). In spite of one or two such distortions, the rise appears rapid from the small to large classes in the case of jowar and bajra. In the case of wheat, however, the rise is not so

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Table 3: Sum of Positive Marketable Surpluses

	Of Surplus Size-Classes as Per Cent of Total NAO of		Of Surplus Households as Per Cent of Total NAO of	
	Respective Size-Classes	Whole Sample	Respective Households	Whole Sample
al foodgrains	44.2	39.4	51.4	44.6
ar	36.3	28.8	48.6	38.2
a	46.1	38.9	61.0	50.7
eat	75.5	75.5	82.6	80.6

e: NAO — Net Available Output

spicuous because, even the small classes have more than half of r net available output as market- surplus though they have deficits erms of total foodgrains. A strong ibility of the sale of wheat (a rior grain), enabling a higher con- ption and even purchase of jowar, ndicated in the case of smaller ers. This is corroborated also by fact that, apart from the smallest classes, more than half the mar- ble surplus of even the next two classes (4 to 10 hectares) comes wheat which is much higher the share of this crop in the net lable output of total foodgrains in e size-classes. Though the share wheat in marketable surplus of food- ns is higher than its share in net lable output of foodgrains in all classes, the difference appears to particularly noticeable among ller and medium size-classes (see mns 4 and 5 in Table 2).

spite of this, the marketable lus of wheat is relatively con- rated among large size-classes, on unt of their greater share in area output. But the concentration is in the case of wheat than in other s. The largest class (with more 15 hectares) accounts for 40.5 cent of marketable surplus of at, compared to as much as 75.4 cent in the case of jowar and 63.2 cent in the case of bajra. In con- , this size-class accounts for only per cent of the total adult units he sample and 18.2 per cent of households.[6] We have thus an istakable picture of a firm control the larger farmers over the mar- le surplus of even the inferior ls. Viewed against the relatively ter dependence of small farmers agricultural labour) on inferior ls for their consumption needs, concentration of marketable sur- in the hands of large farmers ls the nature of the market for grains in rural areas.

ar data clearly indicate a case for the procurement of marketable surplus on a progressive basis. Not only does marketable surplus of total foodgrains per hectare increase significantly as the size of holding increases (see column 2 in Table 1), the larger size-classes have proportionately more marketable surplus than their share in owned area. The latter is indicated by column 5 in Table 1, which shows the share of the respective size-classes in marketable surplus as a ratio over their share in owned land. These values increase progressively as the size of holding increases.

From the point of assessing procurable surplus of the agricultural sector, it is better to have a sum of only the positive marketable surpluses (or gross marketable surplus of the community) instead of netting out the deficit of small holdings. The procurable surplus could be taken to be lower than the gross marketable surplus; nevertheless, the latter serves as the basis for assessing the former. The basis for procurable surplus cannot be the net surplus of the agricultural sector as such, unless we assume that deficits of small and marginal farmers and of agricultural labourers are met directly by larger farmers and that a public distribution system in foodgrains is not going to be extended to deficit classes of rural areas.

Total marketable surplus, net of deficits, as shown in Tables 1 and 2 cannot even be considered as net surplus of the agricultural sector.[7] Whenever marketable surplus is estimated for a community, it is necessary to clarify if it is net of deficits or gross surplus. A problem in estimating gross marketable surplus here is whether to take the sum of positive marketable surplus of size-classes, or of individual farm households. The two need not be the same, if the sum for size-classes is net of the deficits of households having negative marketable surplus. The possibility of having deficit households in a size-class, which has positive marketable surplus on the whole, arises particularly among the middle groups, and also because the size of farm is not a perfect indicator of output.

We may derive the gross marketable surplus in both ways, though the one based on individual households may be more useful in indicating the procurable surplus. The sum of positive marketable surpluses derived both ways are presented in Table 3, expressed as per cent to (i) the net available output of the respective surplus groups/households and also to (ii) the net available output of the sample as a whole. Both of these proportions would be useful in assessing procurable surplus. These proportions are naturally higher than the proportions in respect of marketable surplus net of deficits, except when there are no or little deficits as in the case of wheat.

It may be noted that, though small size-classes have negative marketable surplus, they nevertheless market some of the foodgrains. This is so not only in respect of total foodgrain, but also in respect of jowar and bajra. However, they also repurchase the latter. The difference between gross marketed and net marketed surplus arises on account of repurchases. (Please see columns 6 and 7 in Tables 1 and 2 for the proportions of these two surpluses to net available output.) It is difficult to estimate how much of the sale of foodgrains by farmers having negative net marketed surplus or marketable surplus constitutes 'distress sale' and how much of it is in the nature of selling a superior grain (or a superior variety of a grain) to acquire more of an inferior grain for consumption. 'Distress sale' would suggest insensitivity to the market process on the part of deficit households, whereas the latter behaviour would indicate deeper involvement in the market process and a close integration between market dependence for sale and for consumption. Though 'distress sales' cannot be ruled out *in toto*, the latter is more probably the dominant situation as seen from this and next section. The important fact is that small farmers also have to sell not an insignificant part of their output, even if on the whole they have negative marketable surplus. If a marketing system has to do justice to them, it should provide them both an outlet for sale and an opportunity for repurchases without involving their exploitation. A mere transformation of 'distress sale' into mar-

TABLE 4 : EQUATIONS FOR MARKETABLE SURPLUS OF HOUSEHOLDS

Equation Number	Y	Observations Concerned (and Their Number)	Constant	Regression Co-efficients X_a	X_{af-a}	X_n	X_k	X_c	$\bar{R}_2$	Elasti to Out
(3)	Y_f	AD, WM=0 (64)	—2.037* (13.86)	+0 944* (29.90)	—	—	—	+0.043ns (0.309)	0.960	+1. (to X
(4)	,,	,, ,,	—2.094* (13.74)	—	—	+0.945* (25.62)	—1.045* (4.53)	+0.037ns (0.260)	0.961	+1. (to Xn
(5)	,,	AD, WM=1 (40)	—2.779* (10.44)	+0.935* (16.66)	—	—	—	+0.151*** (1.739)	0 919	+2.3 (to Xa
(6)	,,	,, ,,	—2.699** (8.717)	—	—	+0.922* (10.62)	—0 926ns (1.252)	+0.158*** (1.691)	0.911	+2.4 (to Xn
(7)	Y_j	AD, WM=0 (64)	—1.157* (7.833)	+0.805* (16.05)	+0.115* (2.874)	—	—	—0.001ns (0.006)	0.856	+3.9 (to Xa)
(8)	,,	,, ,,	—0.976* (6.366)	—	—	+0.790* (14.58)	—0.805* (4.084)	+0.179ns (1.355)	0.831	+4.4 (to Xn
(9)	,,	AD, WM=1 (40)	—1.929* (7.802)	+0.737* (13.52)	+0.310* (3.463)	—	—	+0.103ns (1.314)	0.851	+2.6 (to Xa)
(10)	,,	,, ,,	—1.374* (5.665)	—	—	+0.647* (7.407)	+0.546ns (0.704)	+0.090ns (1.035)	0.794	+2.5 (to Xn
(11)	Y_b	AD, WM=0 (64)	—0.816* (5.036)	+0.749* (13.82)	+0.139* (3.166)	—	—	—0.104ns (0.657)	0.779	+2.7 (to Xa)
(12)	,,	,, ,,	—0.555* (3.613)	—	—	+0.730* (12.25)	—1.294* (2.919)	+0.279** (2.040)	0.748	+2.9 (to Xn)
(13)	,,	AD, WM=1 (40)	—0 349** (2.416)	+0.409* (6.135)	+0.096* (3.124)	—	—	+0.041ns (0.886)	0.565	+1.2 (to Xa)
(14)	,,	,, ,,	—0.041ns (0.349)	—	—	+0.300** (4.038)	+2 651ns (1.581)	+0.062ns (1.156)	0.493	+0.9 (to Xn)
(15)	Y_w	AD, WM=0 (64)	—0.020ns (0.792)	+0.950* (51.02)	—0.021* (3.362)	—	—	—0.48*** (1.881)	0.985	+2.4 (to Xa)
(16)	,,	,, ,,	—0.063** (2.611)	—	—	+0.943* (45.26)	—1.192* (4.438)	—0.075* (2.842)	0.983	+2.4 (to Xn)
(17)	,,	AD, WM=1 (40)	—0.265* (4.727)	+1.002* (23.35)	+0.009ns (0.664)	—	—	+0.013ns (0.564)	0.972	+3.02 (to Xa)
(18)	,,	,, ,,	—0.224* (5.981)	—	—	+1.006* (23.80)	—0.006ns (0.006)	—0.008ns (0.246)	0.973	+3.12 (to Xn)
(19)	,,	BD, WM=0 (33)	—0.188* (3.107)	+1.004* (8.215)	+0.008*** (1.869)	—	—	—0.124ns	0.735	+7.28 (to Xa)
(20)	,,	,, ,,	—0.098* (2.707)	—	—	+1.020* (7.683)	—2.433*** (1.860)	—0.094ns (0.743)	0.720	+7.39 (to Xn)

Note : @ The concerned output variables are presented in brackets.

ket-oriented 'voluntary sale' does not by itself mean anything in terms of the economic well-being of the sellers concerned.

We observed earlier the conspicuous difference between net marketed and marketable surplus in the case of wheat, taking all households together. We may notice further here (through Table 2) that though the proportion of marketable surplus of wheat to its net available output tends to rise from the small to large farms, this is not so either for gross marketed surplus or net marketed surplus. The under-recording of sales of wheat does not appear to be random, but is particularly pronounced in the case of large farmers.

III

Results of Regression Analysis

Some of the important results of regression analysis of marketable surplus may be discussed now. Since linear equations gave better results, the results of only these equations are reported here. The concepts, approach, and levels of disaggregation adopted for fitting the equations have already been discussed in the first section. Though households above and below demarcation (in terms of sufficiency for consumption, at 1.83 quintals of net available output of foodgrains per adult unit) were further disaggregated into those in villages with and without weekly markets, no equations could be fitted for the category of households below demarcation in villages with weekly markets as they were too few (only 6). Alternative models were also tried at given levels of aggregation. Two alternative specifications were used for output: one was net available output and the other was to decompose it by taking net output (output net of seeds), and payments net of receipts in kind separately.

The symbols of variables used in the equations are as follows:

$Y_{f, j, b, w}$ — marketable surplus per adult unit in quintals for foodgrains (f), jowar (j), bajra (b), and wheat (w).

X_1 (variable for discontinuity) — actual value of net available output of to foodgrains per adult unit per year for households below demarcation; a 1.83 quintals (value at demarcation) households above demarcation.

X_2 (variable for discontinuity) — ze for households below demarcation; a the excess of actual value of net av able output of total foodgrains per ad unit per year over 1.83 — for hou holds above demarcation.

X_a — net available output of the c concerned in quintals per adult unit

X_{af-a} — net available output of fo grains other than the crop concerned, quintals per adult unit.

X_n — net output of the crop concer quintals per adult unit.

X_k — payments net of receipts in ki in quintals per adult unit.

X_c — total income from all sources in quintals per adult unit.

Other symbols are:

WM — households in villages w weekly markets and without, are pressed respectively as WM = 1, WM = 0.

AD — households above demarcatio

TABLE 5 : MARKET PURCHASES OF FOODGRAINS IN A YEAR BY SIZE-CLASSES

	Ownership Size-Class in Hectares						
	Upto 2	2.1 to 4	4.1 to 6	6.1 to 10	10.1 to 15	Above 15	All
	Total Purchases of All Foodgrains						
er adult unit (kg)	45	63	50	30	17	15	33
s Per Cent of TC of foodgrains	20.2	32.5	24.3	12.3	7.5	6.5	15.0
s Per Cent of GMS	158.1	135.1	75.6	35.8	10.5	8.4	30.3
	Purchases of Jowar						
er adult unit (kg)	26	34	31	13	7.5	3.5	17
s Per Cent of TC of Jowar	19.0	27.0	21.1	8.5	4.9	2.3	11.4
s Per Cent of TPF	57.4	54.1	63.0	45.3	43.3	23.3	50.4
s Per Cent of GMS	767.2	150.9	155.2	39.3	11.4	3.8	35.8
	Purchases of Bajra						
er adult unit (kg)	8.3	14.3	7.4	6.8	1.0	5.6	6.9
s Per Cent of TC of Bajra	14.4	34.1	17.4	11.2	1.8	12.0	13.7
s Per Cent of TPF	18.3	22.7	14.9	22.8	5.6	37.9	20.8
s Per Cent of GMS	160.1	404.4	39.1	43.8	2.8	14.4	31.4
	Purchases of Wheat						
er adult unit (kg)	5.4	6.7	5.7	4.1	4.2	1.4	4.2
s Per Cent of TC of wheat	50.0	46.0	41.2	28.6	24.4	7.7	27.1
s per cent of TPF	11.7	10.7	11.4	13.9	24.4	9.5	12.6
s per cent of GMS	40.3	55.3	28.6	9.7	10.8	5.2	17.9

Note : TC—Total Consumption; TPF—Total Purchases of all Foodgrains; GMS—Gross Marketed Surplus (of the concerned commodity).

— households below demarcation.

** and *** indicate the level of nificance of the co-efficients concern- at 1, 5 and 10 per cent respectively, — not significant.

Figures in brackets below the con- nts and co-efficients are 't' values. asticities of marketable surplus with spect to output have also been pre- nted, calculated at the mean values the concerned output variables. ey have been calculated only when e co-efficient with respect to output as found to be statistically significant.

We may first present two equations r marketable surplus of total food- ains, using the two discontinuous riables X_1 and X_2: The rest of the uations at more disaggregated levels e presented in Table 4. Equations r marketable surplus which did not ve statistically significant results have ot been presented here.

quation (1) For households (97) in llages without weekly markets:

$$Y_f = \underset{(4.458)}{1.392^*} + \underset{(2.903)}{0.576X_1^*} + \underset{(28.29)}{0.950_2X^*} + \underset{(0.282)}{0.043X_c^{ns}};$$

$$\bar{R}^2 = 0.949$$

Elasticity (at means) of Y_f with re- pect to X_1 is 0.605 and, with respect X_2 1.273.

Equation (2) For households (46) in villages with weekly markets:

$$Y_f = \underset{(1.337)}{0.993^{ns}} - \underset{(0.040)}{0.018X_1^{ns}} + \underset{(16.69)}{0.928X_2^*} + \underset{(1.808)}{0.152X^{c***}},$$

$$\bar{R}^2 = 0.921.$$

Elasticity (at means) of Y_f with respect to X_2 is 1.538.

We may begin with output as a determinant. The equations show positive and statistically significant co-efficients with respect to output — whatever its specification and whatever the crop, except with respect to X_1 in Equation (2). In the case of equations for households below demarcation for total foodgrains, jowar and Bajra — which have not been presented here — the co-efficients for output did not emerge as statistically significant. There was not a single equation, however, which presented a negative *and* statistically significant co-efficient with respect to output. (This was true in respect of equations for gross and net marketed surplus too.)

We find interesting features of differences as between crops and between households above and below demarcation in respect of different crops. The response co-efficients (and even elasticities in general) are higher for wheat than for other crops. For households above demarcation, with every increase of a quintal in net output or net available output, marketable surplus of total foodgrains increases by 0.92 to 0.94 quintals. In the case of wheat, it increases by not less than 0.94, and often by unity — the entire increase constituting the marketable surplus. For jowar, the co-efficients are smaller (0.65 to 0.80), and for bajra still smaller (0.30 to 0.75). However, whatever be the crop or the output variable, the elasticity of marketable surplus is more than unity for households above demarcation (except in Equation 14 for bajra where, it is a little below unity), showing that marketable surplus increases more than proportionately with output. Also, both the co-efficients and elasticities are higher for households above demarcation than for those below in general. The interesting exception here is that of wheat. Equations for households below demarcation have not only a fairly high $\bar{R}^2$, the output co-efficients and particularly the elasticities are higher for these households than for those above demarcation. The entire increase in their net output or net available output constitutes marketable surplus for the households below demarcation. Seen against the fact of the response of marketable surplus of jowar and bajra with respect to their output being sta-



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TABLE 6 : PAYMENTS AND RECEIPTS IN KIND (FOODGRAINS)

e-Class of Farm useholds*	Payments in kind		Per Cent Share in Total Payments of All Foodgrains of			Receipts in Kind		Per Cent Share in Total Receipts of All Foodgrains of		
	Of All Foodgrains Per Hectare of Operated Area (kg)	As Per Cent of Net Output of Foodgrains	Jowar	Bajra	Wheat	Of All Foodgrains Per Hectare of Operated Area (kg)	As Per Cent of Net Output of Foodgrains	Jowar	Bajra	Wheat
					in villages with weekly markets					
all	19.6	4.4	52.1	34.5	12.6	2.4	0.5	100.0	0.0	0.0
ddle	12.8	5.1	75.2	13.8	7.3	0.8	0.3	10.7	10.7	0.0
ge	12.8	5.0	75.0	17.7	6.7	0.0	0.0	0.0	0.0	0.0
	13.2	5.0	73.1	17.5	7.4	0.5	0.2	37.3	7.5	0.0
					in villages without weekly markets					
all	22.8	5.5	73.5	13.6	10.7	5.1	1.2	31.2	52.8	10.5
ddle	24.5	7.6	81.2	11.7	6.7	2.1	0.7	37.9	21.1	17.2
ge	18.9	8.1	88.7	5.5	6.1	0.3	0.1	61.6	0.0	0.0
	22.3	7.5	83.0	9.8	6.8	1.6	0.5	37.8	27.3	14.4
					in all villages					
all	21.8	5.1	67.7	19.2	11.2	4.2	1.0	42.7	44.0	8.4
ddle	20.9	7.0	80.1	12.1	6.8	1.7	0 6	34.1	19.6	14.8
rge	16.3	6.7	84.0	9.7	6.3	0.2	0.1	61.5	0.0	0.0
	19.0	6.7	80.5	11.8	7.0	1.2	0.4	37.7	24.6	13.5

tes : *'Small'—upto 4 hectares; 'Middle'—from above 4 to 15 hectares; 'Large'—above 15 hectares.

cally not significant in the case of e households, this would only in- ite that such households use wheat a cash crop for sale while depend- mainly on jowar and bajra for their sumption needs.

t may be of interest to add here , though the co-efficients and elasti- es with respect to output were er in the case of gross and net rketed surplus than in the case of rketable surplus, they were never- less positive and statistically signi- nt for households above demarca- n. In the case of wheat, they were itive and significant even for seholds below demarcation. Even the case of total foodgrains and ar (apart from wheat), the response net marketed surplus was positive l significant because of the rapidity h which the negative surplus de- ed as output increased. It may be ed that these results were obtained spite of the possibility of under- ording of sales particularly in large ns.

he positive role of the presence of kly markets comes out clearly in case of both gross and net market- surplus. The output co-efficients and sticities are higher for these sur- ses, in the case of households in ages with weekly markets. The pic- e is mixed in the case of marketable plus. The impact of market access positive and direct on sales. In the case of marketable surplus, it acts through consumption at source which can either be decreased or increased by market access. Just as lack of market access could stimulate greater consumption from own output, market access could stimulate consumption from market and encourage sale of one crop and purchase of another — other things being given. The mixed impact of market access does not, however, mean that market access plays a negative or perverse role in the case of marketable surplus.

We find, regarding marketable surplus, that response co-efficients for output do not show a significant difference as between villages with and without village markets as far as total foodgrains are concerned — though the elasticities are higher for the former. In the case of jowar and bajra, however, both the co-efficients and elasticities are higher for households in villages *without* weekly markets. But in the case of wheat, both co-efficients and elasticities with respect to output are higher for households in villages *with* weekly markets.

This difference between jowar and bajra on the one hand, and wheat on the other, cannot be purely accidental; it has a significance. The better market access for wheat makes its price more remunerative in villages with weekly markets than in those without. In the latter villages income effect on consumption can be relatively greater than in the former villages, and hence the response of marketable surplus a little lower. However, this difference seems to be restricted only to households above demarcation, because households below demarcation in villages without weekly markets have higher co-efficients (*viz*, around 1.0). In the case of jowar and bajra, however, weekly markets increase the scope for substitution between cereals in sale and consumption. By making wheat sale more remunerative, they may lead to greater consumption of jowar and bajra which can also be more readily purchased from the weekly markets, thus exercising a downward influence on the marketable surplus of the latter two crops. This does not indicate the insensitivity of jowar and bajra to market access. On the contrary, it indicates the substitution of one crop for another in consumption and sale, reflecting the sensitivity to market access.

The propensity for substitution in consumption is evident from the co-efficients with respect to the output of foodgrains other than the crop concerned ($X_{af\text{-}a}$) in the equations for respective crops. In the case of jowar and bajra, an increase in the net available output of foodgrains other than the respective crops, is seen to increase their marketable surplus (by increasing the consumption of other

foodgrains at the expense of jowar and bajra, respectively). In the case of wheat, however, it has a negative effect, being a superior cereal subject to income effect. But this income effect, decreasing the marketable surplus, is evident only for households above demarcation, and not for those below. The latter increase their marketable surplus of wheat in response to an increase in the output of other foodgrains — indicating their desire to maximise total consumption (in quantity) made possible by restricting the consumption of wheat and increasing its sale.

Coming to income X_c as a determinant of marketable surplus, it does not emerge as significant for households below demarcation. But the co-efficient with respect to it is positive and statistically significant for households above demarcation in villages with weekly markets, taking total foodgrains. Taking individual crops, however, the co-efficients are not significant for these households with respect to income. Moreover, in the case of total foodgrains the co-efficient is not significant for households above demarcation in villages without weekly markets. The positive and significant co-efficient in the case of the former households is better interpreted as associative rather than as indicating causation. An interesting result pertaining to individual crops is that, in the case of marketable surplus of wheat, the co-efficient of income is negative and significant only for households above demarcation in villages without weekly markets. This indicates stronger income effect on a superior cereal in villages with weaker market access — a result in conformity with what was noted above about the lower market response to output in such households.

Payments net of receipts in kind also emerge as an interesting variable, particularly viewed in terms of its differential impact in villages with and without weekly markets. Their role is significant by way of reducing marketable surplus, only in villages without weekly markets.

Before concluding this section, it may be noted incidentally that the variation in marketable surplus was much better explained than the same in gross or net marketed surplus. It appears easier to explain marketable surplus, but more difficult to explain how it would be disposed of. Apart from the basic social and economic factors being more complex in the case of marketed surplus, the better data available in estimating marketable surplus may also be responsible for the better results for the latter.

IV

Market Dependence of Households

The magnitude of market dependence, which is an indicator of commercialisation, can be studied in terms of three aspects: (i) market dependence for selling, (ii) market dependence for consumption, and (iii) the role of non-market or non-monetary transactions such as payments and receipts in kind. The first aspect could not be probed into because of the possibility of unrecorded sales.

Table 5 presents the purchases from market per adult unit (in kg) and also in relation to total consumption and gross marketed surplus of the food concerned. In the case of jowar, bajra and wheat, their respective purchases are also expressed as per cent of purchases of all foodgrains from the market. All purchases of foodgrains were made against cash, and none through barter. Purchases from the market are primarily for own consumption and are recorded as such. However, the use of these purchases to feed attached labour or even to make payments in kind or to prepare mid-day meals for casual labour during busy seasons cannot be altogether ruled out. The latter possibility arises particularly in the case of inferior cereals such as bajra, and perhaps to some extent even in the case of inferior varieties of jowar.

The purchases of foodgrains constitute 15 per cent of the total consumption of foodgrains. An average farm household needs in a year 33 kg of foodgrains per adult unit from the market, including 17 kg of jowar, 7 kg of bajra and 4 kg of wheat. The needs are obviously higher still in smaller size-classes both in absolute terms (per adult unit) and relatively to total consumption. All size-classes however, are, seen to purchase from the market, though the magnitude of purchases declines in general as the size of holding increases. But there is no continuous decline: there is first an increase as purchasing power improves, and then a decline as output from own source increases sufficiently. Purchases of total foodgrains per adult unit increase from 45 kg in the smallest size-class to 63 kg in the next, after which they decline. In the case of jowar, after the initial increase, the purchases decline more sharply than in the case of bajra or wheat. In the case of bajra, there is actually a spurt in the largest size-class, which appears to be to meet the consumption of labo (the possibility of which was above) than for family's own nee

Jowar dominates in repurchase well, claiming 50.4 per cent of the purchases of foodgrains, followe bajra (20.8 per cent), and wheat 12.6 per cent). The share of jowa smaller in the three larger size-cla The share of bajra is highest in largest size-class, which — though parently paradoxical — may be meet the consumption of labourer noted earlier. Though the share wheat in total purchases of foodgr is lowest, the market dependence consumption of wheat is highest in lation to its total consumption. Wh purchases constitute 27.1 per cent total consumption of wheat, wher the corresponding percentages are 1 for total foodgrains, 12.3 for jow and 13.7 for bajra. The distinction wheat as a more commercialised c emerges both in marketable surp and purchases.

The dependence on the market consumption can be viewed agai gross marketed surplus (see the l row under each commodity in Table It would help us to know where t 'buy back' or 'repurchases' dominat For foodgrains as whole, they cons tute 30.3 per cent: they are highest f jowar (35.8 per cent), followed b bajra (31.4 per cent) and wheat (17 per cent). The proportion could even lower for wheat, if its sales a relatively under-recorded as feare Across the size-classes, not only do th repurchases of jowar far exceed sale in the smallest three size-classes, th excess is very much higher than in th case of other crops and total food grains. Whatever be the crop, repu chases are significant among the smal est two or even three size-classes not excluding wheat where sales e ceed repurchases. The proportions d cline as the size of holding increase the decline being largest in jowar.

The scope of non-market transactio is wider than is indicated by pa ments and receipts in terms of food grains. Apart from grain-loans and gif to relatives, payments and receipts b way of perquisites other than in term of foodgrains also constitute non-ma ket transactions. Our data, howeve cover only payments and receipts terms of foodgrains. Nevertheless, study of the same could help in u derstanding the extent of non-mark transactions in an important spher Foodgrains, after all, constitute pe

ps the most important part of non-
rket transactions, though it has not
n possible here to estimate their
re in the same.

We may study payments and receipts
kind (foodgrains) per hectare of
rated area and as percentages to
output. Table 6 presents this pic-
e. The share of the three crops in
al payments and receipts in terms
foodgrains are also presented. Since
data are available in terms of
antity rather than value, they are
t studied relative to paid-out costs.
ough imputed prices can be used,
s is subject to the risk of overvalu-
on particularly if payments to
ourers are made in terms of inferior
ieties. Anyway, in the context of
marketable surplus, payments in
d relative to output should be of
ater interest, as they constitute one
the channels of disposing of output.
yments and receipts are mainly —
t not exclusively — for human
our; sometimes they are also to-
rds land rent and hire charges for
llock or bullock carts. It may be
ted too that jowar, bajra and wheat
not exhaust the scope of total food-
ains, even in the case of payments
d receipts in kind.

For economy of space, Table 6
oups together size-classes upto 4 hec-
res as 'small', those from above 4 to
hectares as 'middle', and those above
hectares as 'large' farm households.
he size-classes grouped together
ere found to have similar characte-
stics in respect of payments and re-
ipts in kind. The Table presents the
cture separately for households with
d without weekly markets, and also
gether for all.

Payments and receipts in kind are
latively more in villages *without*
eekly markets. They constitute, res-
ctively, 7.5 and 0.5 per cent of the
t output of foodgrains in these vil-
ges, compared to 5.0 and 0.2 per cent
the same in villages with weekly
arkets. Payments exceed receipts in
l size-classes. Receipts in kind are
latively significant among smaller
ze-groups; but payments become re-
tively more important as the size of
olding increases (being 8.1 and 5.0
r cent of net output of foodgrains
holdings above 15 hectares in villa-
s without and with weekly markets,
spectively). Jowar dominates both in
yments and receipts in kind, follow-
l by bajra and wheat. The share of
war in payments tends to increase
d the shares of bajra and wheat tend
decline as the size of holding in-
creases. It may be noted that our observation about bajra being purchased by large farm households to feed their labour is not contradicted here because, payments in kind represent direct disposal of uncooked grains. An interesting aspect of payments in terms of bajra is that the share of this crop in total payments in terms of foodgrains is higher in villages *with* weekly markets *(viz,* 17.5 per cent) than in others (*viz,* 9.8 per cent). The difference is still higher in the 'small' group.

Though in general payments in kind are likely to be more in villages with relatively less market access, the presence of weekly markets may induce substitution of payments in terms of a cheap cereal like bajra, in place of the more remunerative crops which can be readily marketed. Coming to receipts in kind, it is interesting that bajra has the highest share in total receipts in the 'small' group; its share declines sharply and that of a superior cereal like wheat increases as we go from the 'small' to the 'middle' group. The 'large' group reports no receipts in terms of either of these commodities.

Whatever their behaviour, payments in kind are not very significant in the picture as a whole and receipts are negligible, both in relation to output and area. Their role at best is marginal. More and more transactions are subject to the market process and monetisation, not excluding even the consumption of farmers.

V
Concluding Remarks

To conclude, the study indicates a close involvement of farm households — small and big alike — in the market process. The characterisation of small or deficit households (in terms of market surplus) as 'subsistence' households is rather simplistic and would presume insensitivity on their part to the market. On the other hand, market dependence for sale and for consumption are closely integrated even among these households indicating their market involvement in foodgrains. Households tend to sell more of the remunerative cereals and consume more of the lower priced cereals. Though wheat emerges as a cash crop in its own right showing a greater proportion of marketable surplus and responsiveness than other food crops, it would be again simplistic to treat jowar and bajra as market-insensitive subsistence crops. Though it is a customarily jowar-eating region, there is no consumer-resistance to wheat which is a superior substitute for jowar.

The process of substitution between cereals in sale and in consumption, resulting in differential responsiveness of marketable surplus of crops to output, takes place as a part of the wider market process at work. No rural household or crop is spared from this market process. The role of non-monetary transactions like payments and receipts in kind is marginal, and is itself subject to the influence of the market. It is interesting to find that market access as represented by weekly markets plays an important role by increasing the scope for substitution between cereals in sale and consumption. While market access plays a direct and positive role in the case of sales (gross marketed surplus) its impact on marketable surplus is indirect and complex, but is, nevertheless, present.

The end result of this market process working in an institutional frame characterised by concentration of privately owned land and output is quite clear. The market involvement of farm households is such that there is concentration of marketable surplus of particularly inferior cereals among the larger farm households, whereas the market dependence for consumption is heavy among the small farm households. The nature of the rural basis of agricultural marketing has to be understood in this light.

Our analysis of the data indicates that a system of public procurement of marketable surplus can be based on a progressive rate structure. While the system should provide for a minimum or obligatory disposal from households having more than a certain basic level of availablity (i e, households above our demarcation level), it should also keep the door open for voluntary sale above this obligation and from households which are not obliged to sell any minimum. This is to accommodate the purchase of cereals like wheat which the latter households sell, or even of other disposals of the nature of 'distress sales'.

The farm households must have the choice of selling to the procurement agency if they so desire. This choice has no meaning unless it is also possible for them to purchase the foodgrains they need from a public distribution system. Only then is it possible to remedy the monopoly elements in the rural markets resulting from the concentration in marketable surplus

of particularly the staple cereals. Of course, in a region like the one studied, it would be easier to procure a cereal like wheat, but it would be more difficult to procure a staple cereal like jowar. It is vital, nevertheless, to procure the marketable surplus of staple cereals on a progressive basis, so that a public distribution system could be developed covering rural areas as well. Whether such a system of public procurement and distribution could be developed in the presence of the so-called 'free market', or whether the whole agricultural marketing system needs to be nationalised (not necessarily on a centralised or a bureaucratic basis) is an important issue,[8] but it is beyond the scope of this paper.

Whether or not the whole system is socialised, the system of procurement and public distribution has to be managed and founded on a dependable basis. We have tried to estimate the relation between marketable surplus and output. For a procurement system, however, it is more important to have the relation between marketable surplus and size of holding. There is no easy or dependable short-cut here, except to first estimate the relation between marketable surplus and output, and them to find the size of holding where this output can be located, given the crop pattern. Unfortunately, our productivity data are so aggregative that we have hardly any knowledge of productivity differences within a district, between blocks or taluks. The district data on productivity can hardly be expected to provide a dependable base for a procurement system. There is no alternative to enlarge the magnitude of the crop-cutting experiments, taking block or taluka as the unit for sampling. Besides helping procurement, the estimates of productivity at this level would also make agricultural planning at the block level more meaningful. It could also help in evolving a crop insurance plan, which can depend only on disaggregated data.

Farm management studies also would do well to treat the problem of production, consumption and marketable surplus as an integrated one, rather than to focus only on production. This would mean that it is not enough to ensure that detailed data are recorded in respect of production and costs; it is equally important to ensure that the quantities marketed, costs of marketing, prices obtained through sale and, non-market disposals are recorded. The Farm Management Surveys do have the machinery and resources to do this. This would help researchers to throw more light on the composite problem of production and of marketed and marketable surplus, with an integrated perspective.

Notes

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1 The data were copied down from original schedules and fortnightly diaries.

2 Consumption is from: purchases, drawing down from own stocks, and borrowing in kind (the last being negligible). Consumption, thus, refers to actual quantities as recorded for respective farm households. It may also be noted that 'net available output' does not include purchases of foodgrains from the market or borrowing in kind for consumption.

3 This technique has been used earlier bv A R Khan and A H M N Chaudhury, in 'Marketable Surplus Function: A Study of thc Behaviour of West Pakistan Farmers' in Tara Shukla (*ed*). "Economics of Underdeveloped Agriculture", Vora, 1969, pp 210-236. They tested the discontinuity in terms of quartiles and medians.

4 It may look more proper to take income from sources other than the food crop concerned instead of the total income, as output of the food crop concerned is also taken as an independent variable. It was not possible for us to separate farm business income of non-food crops, which could have been added to income from sources other than cultivation. On the whole, however, income from food crops constitutes less than half of the total income in the sample. The indirect evidence also suggested a high correlation between income from sources other than foodgrains and total income from all sources. For purposes of regression, therefore, it was felt that choosing one or the other between the two would not make much difference. The correlation between output of foodcrops and total income, though statistically significant at times, was not so high as to seriously raise the multicollinearity problem; it turned out to be 0.579 for total foodgrains, 0.380 for jawar, 0.208 for bajra and 0.663 for wheat, for households.

5 It makes little difference to picture even if size-classes considered in term of operati holdings.

6 If concentration is to be asse in terms of the proportion marketable surplus in contras the proportion of the numbe households in a size-class, actual concentration would more than what is indicated the sample here. Since samp in farm management survey based on probability proporti to area, the small farmers (in n bers) would find less — and ger farmers (in numbers) more representation in such sampl than in a census survey or i survey based on probability p portional to number.

7 This is not only because agric tural labourers are not a part our sample, but also because under-representation of the nu ber of small farmers (on accou of nature of the sample as no in the preceding footnote).

8 Dandekar's proposal for a nati nalised and yet decentralis agricultural marketing (*cf*; his p sidential address to the Indian Ec nomic Association, 1973, *Indi Economic Journal*, January-Mar 1974) could be considered he with certain modifications to mak it free from the weakness of th present system. The scheme, wit some important modifications co sidered necessary, was discusse in, M V Nadkarni, 'Socialist Ma ket Mechanism for Procuremen of Foodgrains', *Economic Time* December 12, 1975.

Narendra Explosives

NARENDRA EXPLOSIVES, a joi venture with Dr Ing Mario Biazzi Switzerland, is entering the market o April 1 with a public issue of 9 lak equity shares of Rs 10 each to raise part of the finance required for i Rs 4.10-crore project for manufactu of industrial explosives and explosiv accessories at Lalitpur near Jhansi UP. Initially, the company will take u manufacture of 10,000 tonnes of indu trial explosives annually includi nitroglycerine base. The plant is e pected to be commissioned in Decem ber 1980. Meanwhile, the company h put up a pilot plant for the NG ba explosives of 1,000 tonnes per annu capacity at Dehradun. This plant h already completed trial runs. The co pany's existing income and commissio ing of the pilot plant will reduce th gestation period for the prospective i vestors. The public issue is managed b SBI's merchant banking division.

'Efficient' Small Farm, Demographic Differentiation and 'Iron Chest' Accounting System

Some Aspects of Peasantist Economics

S S Sivakumar

This article is an attempt to comment on three important lines of economic reasoning pertaining to, what Georgescu-Roegen termed, 'peasantist economics'. Although our evidence relates to only two villages in Tamil Nadu, we feel that further empirical examination too will, by and large, support our conclusion that peasantism in economics does not stand the test of verification.

1960, Georgescu-Roegen wrote: standard theory describes the nomic process of a society in which individual behaves *strictly* hedonistally, where the entrepreneur seeks maximise the cash profit, and ere any commodity can be exnged on the market at uniform ces and none exchanged otherwise. the other hand Marxist theory re- s to an economy characterised by ss monopoly of means of production, ney-making entrepreneurs, markets th uniform prices for all commodis, and *complete independence of nomic from demographic factors*" tter emphasis added).[1] In a sense, s was the beginning of a revival of asantism on a large scale (to be actuated in the 1970s), on the intertional academic scene.[2]

A rudimentary empirical verification some such peasantist notions had en undertaken by us earlier.[3]

Broadly, peasantism may be looked on as a large body of (diversified) ought which rests on the following logism:

(i) the poor and underdeveloped countries of the world are characterised by pre-market forms of production;

ii) these countries, which have little capital, have a bulk of their population in agriculture; and therefore,

ii) agricultural activities in these countries consist mainly of family farming for subsistence purposes.

There are four lines of reasoning t emerge from this.

'i) A school of thought consisting of rkse, Lewis, Leibenstein, Ranis and i, upholding the thesis that the pro- m of underdevelopment is tantaunt to one of surplus 'disguised unployed' labour on the family farms.[4]

'ii) Peasant economy is an economic tem, whose existence is as valid as at of feudalism or slavery.[5]

'iii) Demographic differentiation, rather than economic differentiation, is the characteristic of 'peasant economies'.[6]

(iv) Small farm is more efficient than the large farm.[7] Its economics can be understood, not in neo-classical or Marxian categories but only in 'peasant' categories.

In one way or an other, all these views find their roots in the comprehensive works of A V Chayanov the Russian populist.[8] The first of these lines of thought has been empirically tested by us and the results proved: that, atleast in the framework provided by private property and paddy technology (of South India) there is no question of there being any disguised unemployed.[9]

Our concern in the present work is with the two latter developments. Section 1, considers the theory of demographic differentiation in the light of data from Asthapuram-Kanthapuram villages in Tamil Nadu. Section 2, takes up the 'farm size and productivity' aspect. Section 3, also based on data from Asthapuram-Kanthapuram, goes into the question of peasant accounting and also consists of a simple algebraic exercise of 'peasant economy' based on accounting categories actually prevalent among the peasants.

I

Demographic Differentiation

The theory of demographic differentiation states that peasant families, which conduct their (economic) behaviour in accordance with internal demographic compulsions, undergo a cyclical process of expansion and contraction. Chayanov provides data from pre-revolutionary Russia to support this thesis and questions the validity of the Marxist arguments regarding economic differentiation in Russia. In recent times, Kessinger argues that Chayanov's contention is basically valid in the case of India, as well.[10] Although Kessinger does not provide any direct evidence in his study of a Punjab village from 1848 to 1968, he agrees with Chayanov's ideas regarding demographic differentiation.

Tables 1, 2, 3, and 4 show the changes among different classes of peasants during 1916-1976.[11] Let us consider the inter-class mobility among them.

(a) In 1916, there were 15 big peasant households. By 1946 their numbers had grown to 18.

Of the original 15, however, 6 underwent downward mobility. There households broke up, lost much lands in expensive rituals and ended up as 9 medium peasant and 6 petty peasant households.

Of the remaining big peasant households 3 expanded into 7 new big peasant households after partition.

By 1946, 2 erstwhile medium peasants and one petty peasant had grown into big peasants, mainly owing to their earnings in trading activities.

Two outsiders (a snuff manufacturer and a petrol-dealer) had also entered this class by 1946.

From 1946 to 1976 the number of big peasant households fell from 18 to 11.

By 1976, six of the big peasant households had become landlords. Four of these established business interests in Madras and became absentee landlords. Two others maintained their establishment at Asthapuram-Kanthapuram while they gave up cultivation in favour of hardware business and politics. Two other big peasant households broke up into 11 and degenerated into medium peasants. By 1946, only 5 of these continued as medium peasants, 2 having become resident landlords (the head of the households had died leaving no other adult male who could manage cultivation) and 4 left Asthapuram-Kanthapuram, by 1952, to become landlords. By 1947 these four households technically remained in Asthapuram-Kanthapuram, but had not been culti-

TABLE 1 : CHANGES IN BIG PEASANT CLASS IN ASTHAPURAM-KANTHAPURAM, 1916-1976

		1916	1946-47	1976
Households	Number	15	18	11
	Per Cent	10.2	11.7	5.4
Land owned	Total acres	685	695	406.55
	Per Cent	88.2	89	57.5
	Per Household (Acres)	45.66	38.61	36.95
Occupational holdings	Total Acres	445	440	384.99
	Per Cent	57.3	56.3	54.4
	Per Household (Acres)	29.67	24.45	34.92

TABLE 2 : CHANGES IN MEDIUM PEASANT CLASS IN ASTHAPURAM-KANTHAPURAM, 1916-1976

		1916	1946-47	1976
Households	Number	15	10	25
	Per Cent	10.2	6.5	12.2
Land owned	Total Acres	73	52	101.15
	Per Cent	9.4	6.7	14.3
	Per Household (Acres)	4.87	5.20	4.04
Occupational holdings	Total Acres	148	92	122.20
	Per Cent	19.0	12.8	17.3
	Per Household (Acres)	9.87	9.20	4.88

vating or leasing-out their lands, while the menfolk worked in Madras. One more big peasant household broke up into five and, by 1976, 3 of these were petty peasants and 2 had left having lost their lands in expensive weddings. By 1954, the snuff manufacturer and the petroleum dealer had left and their lands were mainly acquired by outsiders who became absentee landlords. One new big peasant household resulted from the petroleum dealer gift of 11 acres to an official of his, who later settled down at Asthapuram-Kanthapuram and thrived. The most striking entry into this class was that of a household of goatherds whose case was also mentioned earlier. By 1967, this household had bought up 67 acres of land. This period also saw the rise of one medium peasant and one petty peasant into the big peasant class, through judicious investment of money earned, respectively, from trading and bribe-earnings as a police official.

By 1976, only six big peasant households, belonged to the original group of 15 in 1916-17. The rest consisted of new entrants to this class, almost all of whom had invested non-agricultural earnings in land.

(b) Medium peasants constituted 15 households in 1916. Of these, 3 households broke up and underwent partition by 1946 and became 6 petty peasant households. However, by 1949, these households left for Madras, leased out their small holdings and became absentee landlords. Also, 4 other households underwent marriage and funeral expenses and degenerated into petty peasants. As already noted, 2 medium peasants became big peasants. By 1946, only one petty peasant had moved up to medium peasant status.

By 1976, three more medium peasant households underwent partition. This resulted in 10 new medium peasant households. Also, 3 petty peasants moved up into the medium peasant class by this time. These 3 petty peasants, had acquired some government land for a low price as a reward for their political activities. Two medium peasant households also broke up into 10, and 7 of these became petty peasants with the remaining 3 leaving and becoming absentee landlords. One became a big peasant, after he had ploughed back trading profits into agriculture.

Thus, of the 15 houses that started as medium peasants, only three have survived and expanded into 10 in the same class by 1976. Of the remaining 12 households, 7 had become petty peasants while 3 moved up as big peasants and 2 had left the village and become absentee landlords.

(c) The petty peasants in 1916 consisted of 48 households. Of these, 38 were padiyal-sukhavasis [for details of these see S S Sivakumar and Chitra Sivakumar (1979)]. By 1946, 13 padiyal-sukhavasis had lost their land; 2 broke up, partitioned, lost the lands and became 5 landless peasant households; 3 others had partitioned off into 7 households but held on to their little bits of land. During this period, one petty peasant also grew in status into a medium peasant and one other became a big peasant. As already noted, 4 medium peasant and 3 big peasant households broke up and becam peasant households. Three padiyals also became sukhava

From 1946 to 1976, 2 more sant households broke up an 3 petty peasant and two landlo holds. Likewise, the partit medium peasant households r 7 petty peasant and 3 landlor holds. Five of the already exist peasant households broke up new households but held on lands. Fourteen erstwhile sukhavasis lost their leased-in l became landless peasants, b and became 27 in number. F peasant households lost thier l to indebtedness, became landl sants and broke up into 9. O peasant, through his acumen as grew into a big peasant, and peasants became medium peas

Thus, of the 48 petty peasan holds of 1916, by 1976, 33 beca less (27 of them being erstwhile sukhavasis) and 5 had grown to or medium peasants. The rest h tinued and broken up into new holds all within the petty peasa

(d) Measuring changes in th less peasant class through the of household, is a very difficu The longevity of the househo finality of the break up of hou and the changing number of dep in these households are so respon changing economic conditions there is little that can be taken stant about a household. For in a household of several adults children might break up when t crops make living difficult. F some of the members might establishments for a short w Madras or some such place in season. During these months, the hold is temporarily broken up. ever, if there is misunderstandi bad blood among the womenfo 'break up' might last several y be even permanent. At the sam households which had broken u some reason or the other, migh together when one of the heads households dies.

Thus, our description of the among landless peasant household be only general. As we have noted, most of them were padi 1916, and most were coolies i (See Table 4). By 1976, also numbers had increased consi due to the decline of 33 erstwhil peasant households to the st landless peasants and their break up. Today, of the 104 l peasant households, 45 claim

ILE 3 : CHANGES IN PETTY PEASANT CLASS IN ASTHAPURAM-KANTHAPURAM, 1916-1976

		1916	1946-47	1976
ouseholds	Number	46	50	55
	Per Cent	31.3	32.5	27
nd owned	Acres	19	34	25.07
	Per Cent	2.4	4.3	3.6
	Per Household (Acres)	0.41	0.68	0.46
ccupational	Acres	184	200	147.09
holdings	Per Cent	23.7	25.6	20.9
	Per Household (Acres)	4.00	4.00	2.67

ote : Percentage figures in Tables 1 to 4 refer to percentage to the total number of households/ownership holdings/occupational holdings of all classes, excepting the case of padiyals and coolies in Table 4.

TABLE 4 : CHANGES IN LANDLESS PEASANT CLASS IN ASTHAPURAM-KANTHAPURAM, 1916-1976

		1916	1946-47	1976
louseholds	Number	71	76	104
	Per Cent	48.3	49.3	51.0
adiyals	Number	52	54	20
	Per Cent	73.2	71.1	19.2
oolies	Number	19	22	84
	Per Cent	26.8	28.9	80.8
Occupational	Total Acres	—	49	52.23
holdings	Per Cent	—	6.3	7.4
	Per Household (Acres)	—	0.64	0.50

Notes : Padiyal =permanent farm servant-bonded labourer till 1950.
Coolie =casual labourer or daily wage earner.

scendants of erstwhile petty peasants. The following remarks can be made garding demographic differentiation:

(a) If we take it that Chayanov had mind the process of differentiation the entire peasantry, we have to nsider data pertaining to all peasant ouseholds. We found that partition property is one of the major factors volved in the downward mobility of lineage group. Is it, therefore, rrect to say that at least the second art of the theory of demographic ifferentiation hoolds good at Asthauram-Kanthapuram? We do not think ; for Chayanov was not trying to lustrate a simple situation of partiioning of family property. If he did o it would have been mere truism; for would be absurd on the part of anyne to deny that households do break p or that property does get divided except in the case of primogeniture) ecause of this. What Chayanov atempted was to establish the proposion that the land holdings of families rew and fell in response to changes in mily size. This proposition is not alidated by our data for any class. n the other hand we find that none f the households whic moved to a ower class ever staged a recovery even y the time of the third generation. side from the fact that a number of ouseholds moved up and down, the ost striking aspect of the entire 60ear period is that there is no rapid movement of households within the land hierarchy. The two most striking exceptions are those of the big peasant TM during 1885-1900 and of the goat-herd during 1945-1976. The legend prevails that TM migrated from some other part of Chengalpattu to Asthapuram-Kanthapuram and acquired his entire land (of over 200 acres) in 15 years (1885-1900). This he did by selling away an equal amount of land elsewhere. The story of the goat-herd is also known to us.[12] Here, again, the enterprise of the family was in goat-rearing and the fortuitous circumstances that led to its being able to operate its goat sales on a large-scale, made this household a big peasant one. We also have other cases of upward movement, but the smaller range of movement (5-12 acres each), the time taken (20 to 35 years), and the fact that all of them used non-agricultural earnings, confirm our conclusion that there is not a single case of a cultivator moving up the hierarchy to any level of significance by means of agricultural operations alone.

Further, the vast range of inequalities in land ownership (from 2.66 to 2660 acres during 1750s, 1 acre to over 200 acres during TM's time, and 0.15 acres to 67 acres now) is not explainable in terms of demographic factors. We know of atleast 10 petty peasant households from 1930 till 1976 which had household sizes of 10 to 15, but never owned more than 3 acres, whereas none of the big peasant households (from TM's time till date) ever grew to be more than 8 in size.

Thus, our data do not confirm Chayanov's theory of demographic differentiation taken in a wider sense.

(b) In a narrower sense, we could suppose that Chayanov was not referring to all classes, but only to petty peasants. In that case, it is not really an alternative explanation to the entire Marxist thesis regarding development of capitalism, but only to a small part of it pertaining to small farmers. Even so, Chayanov's propositions are not confirmed by our data. In fact, even partitioning of property resulted in the downfall of only 6 of the 33 petty peasants who became landless. The other 27 were padiyal-sukhavasis who were evicted and eased-off into a landless status. Let us also consider the cases of 5 petty peasants who grew into medium and big peasants. All the 5 were traders who ploughed back their profits into land. In fact, one of them even went from trading to money-lending before he became a big peasant.

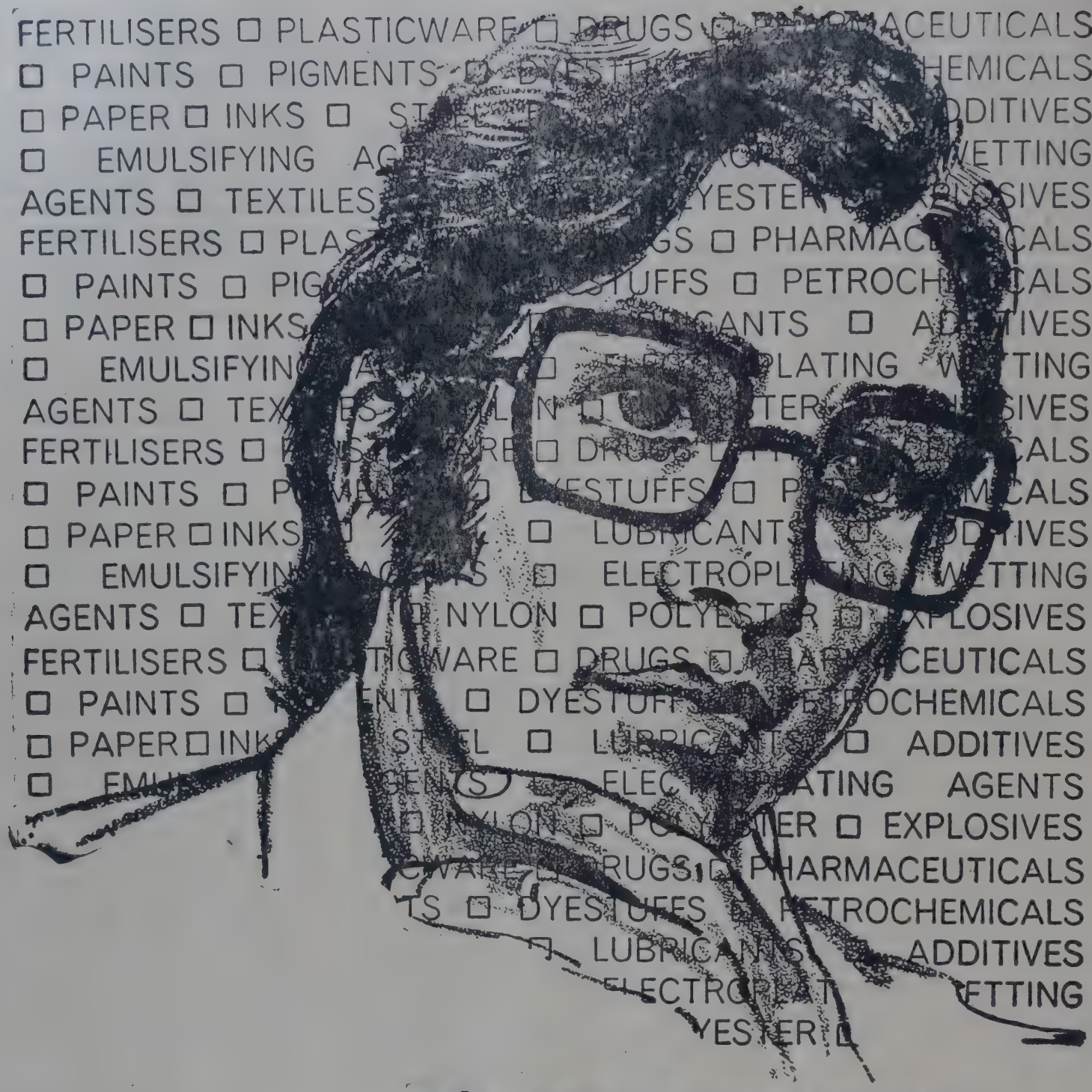
It might be argued too that the appropriate indicator is occupational holding and not land ownership. What limited data we have, do not confirm any cyclical movements even in occupational holdings. The last 10 years' performance of the three petty peasants, Vedasalam, Danusu and Ezhumalai, clearly points out that the behaviour of occupational holdings does not correspond to movements in family size at all.

Thus far, we have empirically examined the theory of demographic differentiation. Do our data tell us anything about the Marxist theory of differentiation of the peasantry?

Before we present what little we have to say, we must point out that the present study is extremely limited in scope, and generalisations should not be drawn from it without examining the development of capitalism in the wider economy, which is beyond the scope of our study. Bearing this reservation in mind, we make the following observations:

(i) If we are to interpret concentration in terms of ownership holdings, we find that ownership per big peasant household has actually fallen from 45.66 acres in 1916 to 36.9 acres in 1976. This has not been matched by the rise of small farmers, but by the rise of the landlords since 1940s. Landlords have acquired over 160 acres of the big peasants' holdings after 1950.

(ii) If we are to consider occupational



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ILE 5 : HOUSEHOLD SIZE, DEPENDENCY RATIOS, OCCUPATIONAL HOLDINGS AND LABOUR INPUTS ON OWN FARM—THE CASE OF VEDASALAM, THE PETTY PEASANT, ASTHAPURAM-KANTHAPURAM 1965-66—1975-76

r	Household Size	Dependency Ratio (c/w)	Occupational Holding (Acres)	Labour Input (Hours)	
				Female	Male
5-66	8	2.0	2.66	246	930
6-67	8	1.6	2.66	246	970
7-68	9	1.5	3.00	140	818
8-69	10	1.7	2.00	178	720
9-70	10	1.7	1.33	96	746
0-71	12	2.0	1.66	112	728
1-72	11	1.8	nil	—	—
2-73	12	1.7	nil	—	—
3-74	13	1.7	1.33	86	719
4-75	13	1.9	0.68	26	732
5-76	13	1.9	0.68	28	949

ILE 6 : HOUSEHOLD SIZE, DEPENDENCY RATIO, OCCUPATIONAL HOLDING AND LABOUR INPUT ON OWN FARM—THE CASE OF DANUSU, THE PETTY PEASANT, ASTHAPURAM-KANTHAPURAM, 1965-66—1975-76

ar	Household Size	Dependency Ratio (c/w)	Occupational Holding (Acres)	Labour Input (Hrs)	
				Female	Male
5-66	4	2.0	2.33	..	996
6-67	5	1.6	1.66	92	924
7-68	4	1.3	2.33	132	822
8-69	5	1.6	1.33	74	877
9-70	5	1.6	2.33	121	886
0-71	4	2.0	2.33	64	912
1-72	5	2.5	2.00	..	842
2-73	6	3.0	2.33	..	916
3-74	5	2.5	2.00	104	818
4-75	6	3.0	2.66	122	768
5-76	7	3.5	2.66	37	707

lings we find that there is concentra-. Each big peasant household held 6 acres on the average in 1916, and ls 35.00 today. However, the per-age area occupied by them declined n 57 to 54.

ii) What is more important, is that system of cultivation through hired ur has become common among the peasants of 1976. In 1916, 345 s were leased out by them to the lium peasants and petty peasants, reas, by 1976, it was only a fraction that. This must be looked upon as gradual transformation of the system he big peasant dominating the ge through leasing out his land, to featuring a more contractual rela-with hired labour. The big peasant still powerful, but the older system atronage-clientele is much weakened changed. The most important indi-r of proletarianisation of labour is decline of the padiyal-sukhavasi em.[13]

v) At the lower levels it is definitpossible to say that there is some ree of proletarianisation. Even if rise in the number and proportion landless peasant households is no cator, the landless status of 33 of erstwhile petty peasants and the replacement of the padiyal system of labour-hire to the coolie-system indicates this. This is not to say that the the petty peasants are dwindling in numbers. There is no definite indication of this; but they now depend on landlords for their sustenance rather than on big peasants. At least, in terms of occupational holdings per household, the petty peasants are much weaker now; in 1916 they held 4 acres per household whereas in 1976 they hold only 2.67 acres.

II

The Efficient Small Farm

In our description of different classes of peasants at Asthapuram-Kanthapuram elsewhere, we have stated that petty peasants appear to be the most Chayanovesque,[14] in the sense that they are constantly attempting to replace hired labour with family labour. Table 8 illustrates this point.

Before discussing detailed information from Asthapuram-Kanthapuram, let us consider the rather Chayanovesque propositions of Sen. Sen sums up his early ideas as follows:[15] "On the basis of the size class average data for the mid-fifties presented in the "Studies in the Economics of Farm Management", the following observations were isolated for comment in a paper of mine which proved to be very controversial.

Observation I : When family labour employed in agriculture is given an 'imputed value' in terms of the ruling wage rate, much of Indian agriculture seems unremunerative.

Observation II : By and large, the *profitability* of agriculture increases with the size of holding, profitability being measured by the surplus (or deficit) of output over costs including the imputed value of labour.

Observation III : By and large, *productivity* per acre decreases with the size of holding.

It was argued in the same article that the pocedure of valuing family labour at the market wage rate (used by Farm Management Studies) overlooked the important feature of dualism in the labour market, and that the 'losses' incurred for smaller farms mainly reflected a confusion of concepts in applying to peasant farming the cost accounting procedures appropriate to capitalist farms. Insofar as the smaller farms used cheaper family labour, there was nothing surprising in observations II and III. More labour per acre would be applied by such farms, given other things, and this would produce both large output per acre (observation III) and less profits, if family labour was to be valued at the market wage rate ignoring the 'wage gap' (observation II).

Let us first point out the similarities between 'Peasant Farm Organisation' of Chayanov and 'Peasants and Dualism' of Sen:

(1) Both argue that family labour cannot be evaluated in terms of market wage rates.
(2) Family farms are likely to apply more labour per acre than capitalist farms.
(3) Family farms may show less profits, if 'imputed wages' are included in costs.
(4) Finally, both argue that family farms, because of their labour intensification levels, would attain a higher level of output per acre.[16]

By 1966, Sen developed a model of dualism in the labour market, which he argued was applicable not merely to India, but also to other underdeveloped economies. This was an extension of the 'wage-gap' thesis already atriculated, and runs as follows:

(a) It is not necessary to assume zero marginal productivity of labour in order that surplus labour may exist.
(b) As long as there existed a gap between the market wage rates and the real labour cost of family labour (Sen's modification of

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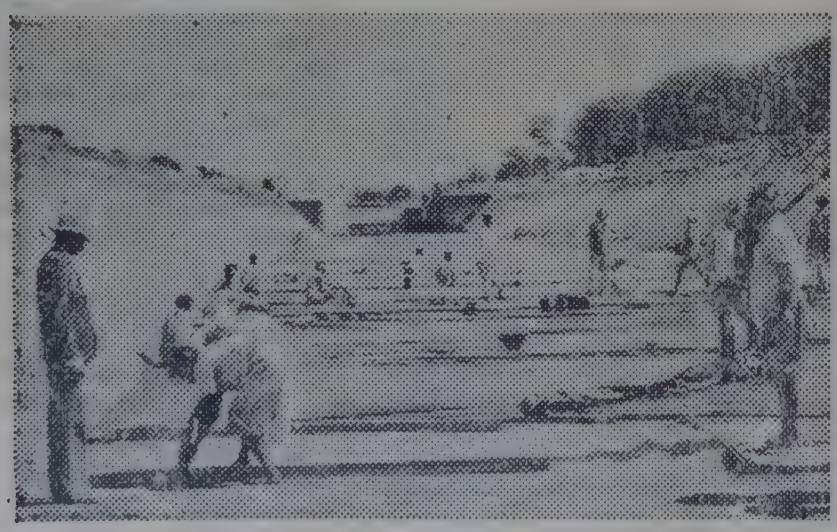
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LE 7 : HOUSEHOLD SIZE, DEPENDENCY RATIO, OCCUPATIONAL HOLDING AND ABOUR INPUT ON OWN FARM—THE CASE OF EZHUMALAI, THE PETTY PEASANT, ASTHAPURAM-KANTHAPURAM, 1965-66—1975-76

r	Household Size	Dependency Ratio (c/w)	Occupational Holding (Acres)	Labour Input (Hours)	
				Female	Male
5-66	5	2.5	5.33	162	1432
6-67	6	3.0	5.65	90	1322
7-68	5	2.5	4.00	132	842
8-69	6	3.0	2.33	68	856
9-70	5	2.5	2.33	72	1252
0-71	6	3.0	2.66	38	987
1-72	7	3.5	2.33	44	768
2-73	6	3.0	5.65	148	549
3-74	7	3.5	5.65	172	1342
4-75	6	3.0	5.65	182	1378
5-76	7	3.5	5.65	109	938

BLE 8 : DISTRIBUTION OF DIFFERENT CLASSES OF PEASANTS ACCORDING TO AVERAGE AMOUNT OF LABOUR USED IN CULTIVATION

ss of Peasants	Average Labour Use (Hours) Per Acre		
	Own	Hired	Total
; peasants	24	888	912
dium peasants	74	772	846
tty peasants	296	266	562
ndless peasants	175	224	399

Chayanov's *disutility of labour*), different equilibrium costs of peasant farming and capitalist farming, in a restricted land market, result in higher yields per acre for the former.

en also points out that his micro-uilibrium model of peasant farming ght not be operative under certain titutional conditions such as feuda-n or sharecropping, because the titutional obligations will leave a y low level of output per worker in peasant family.[17] He also states t, under certain types of resource cation, the capitalist farm would be endowed with resources in compari-n to peasant farms that the two might ssess different production functions; ereby rendering any comparison bet-en peasant farming and capitalist ming difficult.[18]

The essence of the arguments of ayanov and Sen is that the family ms are viable (though Sen does ad-t certain qualifications); viability is dicated by the following criteria:

(i) A situation where they appear to suffer a loss in a capitalist sense, but are actually able to carry on.

ii) Their ability to intensify family labour to higher levels than the capitalist farms can and so to achieve higher yields per acre.

ii) Chayanov even argues that they may be able to afford higher rents for land than do the capitalist farms.

The essential points to verify are obviously by the higher labour intensity among petty peasants and the 'subjective evaluation' of family labour.

The average figures in Table 8 are weighted averages. The actual labour use of each household was weighted by the area cultivated by each household.

It is evident that, although the petty peasant uses a considerable amount of own labour, his overall labour use is far below those of big and medium peasants. The effect of this on output (even hypothetically considered) will be adverse, in a technology that is primarily labour intensive.

Let us however, go on to the second question namely the difference between market wage rate and the 'real labour cost'. Is the 'real labour cost' of household labour lower than the market wage rates? Both Sen and Chayanov make it clear that the disutility of labour (whether hired or own) is subjective and cannot, therefore be directly quantified.

We use an indirect indicator, *viz*, the share of the worker in the household produce. Let us begin with the assumption that a person working on his own farm considers the output at least worth the effort he puts in. In other words, his share of the household's produce compensates him for the disutility of his work. Thus the worker's share of the household output could be considered an indicator of his subjective evaluation of the disutility of labour.

It is possible that the disutility of his labour is more than the utility of his share of the output and hence the worker's share may be an understatement of the real labour cost. Such a situation is possible where, owing to resource constraints, the household's output is lower than its subsistence level and hence labour intensification goes beyond the efficiency limits prescribed by the given technology. Such a possibility does not affect our ensuing arguments, since (as will be seen shortly) all that we need is a minimal assumption that $U_d \geqslant U_o$, where U_d is the disutility of effort involved in the production of family output and U_o is the utility of the output. Further, it will be shown that in case the difference between U_d and U_o becomes too much (and hence working on own farm uneconomical *vis-a-vis* hiring out services), there is an increasing shift towards hiring out the services of household labour.

The exact amount that constitutes the worker's share (and hence the distribution of the household's output within the household) is not the same as a simple average. In fact, there is a hierarchy within the household wherein the adult males have precedence over the women all over rural Tamil Nadu. This hierarchy manifests itself in various prerogatives which our adult male enjoys within the household. One simple illustration would convey the relevance of this. When the household sits down to eat a meal, the adult males are fed first, and only then do the women and children eat. Often we have seen the husband being fed three-forths of the entire food by the wife before any one else eats. One peasant said: "At work the male and female are equally adult, at home the female is just half a man." We have assumed, therefore, that the household produce is distributed between adult males and females in the proportion 2:1.

Table 9 gives the workers' share among three petty peasant and three landless peasant households. For the sake of simplicity, only three households were selected to represent each class. However, the observations that emerge from Table 9 are varied for all petty and landless peasant households that we have examined.

It is evident that workers' share of output is higher than market wage rates in the case of the petty peasants and lower in the case of landless pea-

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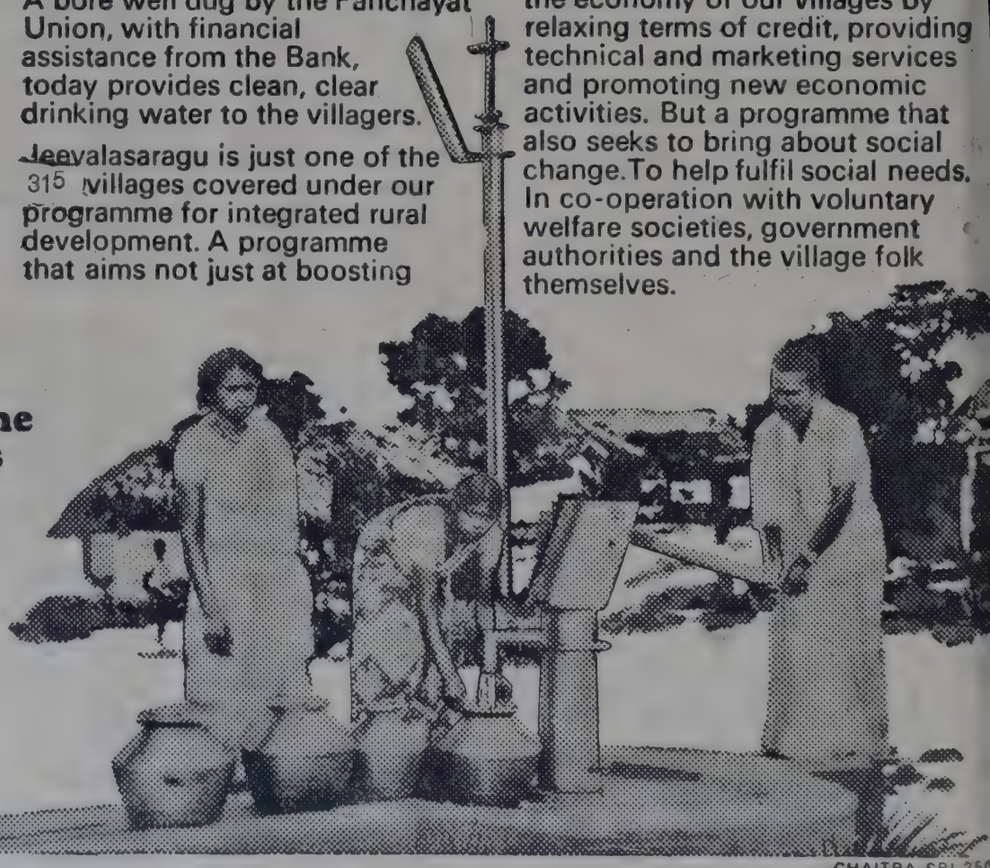
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LE 9 : ESTIMATES OF WORKERS' SHARE OF OUTPUT AMONG SOME PETTY PEASANTS AND LANDLESS PEASANT HOUSEHOLDS, AND AVERAGE MARKET WAGE RATES, ASTHAPURAM-KANTHAPURAM

s of Peasant sehold	Area Cultivated	Number of Adult Workers		Per Workers' Share of Household Output (Rs)		Average Market Wage (Rs)	
		M	F	M	F	M	F
y peasant	2.00	1	1	2.70	1.00	2.20	0.60
y peasant	2.60	2	—	2.60	—	2.20	0.60
y peasant	5.33	1	2	2.90	1.40	2.20	0.60
dless peasant	1.33	2	1	1.20	0.30	2.20	0.60
dless peasant	0.68	3	1	2.10	0.10	2.20	0.60
dless peasant	2.00	3	2	2.00	0.30	2.20	0.60

e : (1) Average market wage rates are weighted averages. We weighted the different wage rates prevailing during the year, with the number of days they last. Periods of unemployment have been considered as zero wage periods.

(2) Female household workers have been assumed to be working 100 days per season : this includes household chores which they perform along with their work on own farms.

s. Thus our data do not confirm *a priori* observations of Sen, that 'real labour cost' is lower than the et wages.

far as the small farm is concern- f it is a petty peasant farm, there uestion of its being more efficient. ever, it has been noted in an er work that medium peasants are mic and resourceful. Yield-per- figures show us that the highest vn yield per acre in the two villages been achieved by a medium pea- . The question of farm size and uctivity, therefore, is not really pertaining to the agronomic skill etty peasants but to the resource traints as seen earlier. The debate ld concern itself, therefore, not large-*versus*-small farms but with e-*versus*-small farmers.

III

sant Accounting and 'Iron Chest'

essinger and Sen argue that, the yanovian Method of accounting ld be the only valid one for ex- ning the economic rationale of the antry. Kessinger describes economic ulations in the demography-subsis- e oriented peasant economy, as the chest' accounting system. The c content of peasant economic ulation is said to be an output k (iron chest), out of which con- ption resources are drawn. Let us ider if this static equilibrium ap- ch describes the economic calcula- s of an Asthapuram-Kanthapuram ant.

ut of a total of 55 petty peasant seholds, 44 have deficit budgets. output was calculated in the man- of Chayanov's calculations, taking consideration earnings from own farm and other sources and deducting from this, expenses of cultivation.

The economic calculations of the peasants, whether petty peasants or others, would in fact be most inadequately described if it were fitted into a static equilibrium framework. The continuum of payments and receipts from one season to another and the large element of uncertainty in agriculture, lend the economic calculations of the peasant a certain dynamism which any static framework cannot capture.

At the end of each harvest, the peasant has the following order of priorities in his payments:

(a) Repayment of debts incurred for expenses of cultivation.
(b) Repayment of certain costly old loans.
(c) Repayment of less costly old loans.
(d) Purchase of certain essentially needed non-agricultural consumer goods.

If at the end of this he is left with anything, he keeps it aside ('household expenses'), which includes also paddy which he might market at a later stage either to take advantage of seasonal price fluctuations (as is the case with all big peasants and most medium peasants), or to purchase cattle or meet some other contingency. It is, in a real sense, value stored up in the form of paddy.

In the case of petty peasant the stock of paddy is often consumed well before the next harvest and he incurs debts for consumption purposes, aside from the debts he incurs for expenses of cultivation. By the next harvest, the peasants are left with a deficit or surplus position depending upon their respective resource endowments. Then begins another round of payments on the basis of priorities mentioned above, and the peasant goes on to the third crop with an accumulated surplus or or deficit. Thus the cycle continues.

At the end of two or three crops, the peasants with growing surplus convert their surplus into pumpsets, real estate, gold and silver or loans advanced; and thus a part of the flow of surpluses from season to season get channelled outside the cycle into a stock of assets.

The following stages can be marked out, indicating the peasant's upward or downward mobility:

(1) The peasant is able to meet only the cultivating expenses.
(2) The peasant is able to meet the cultivating expenses and able to repay the costlier of the old debts.
(3) The peasant is left at the end of this with a net output that will last him till the next harvest.
(4) The peasant has a net output which lasts beyond the next harvest as a surplus.
(5) The peasant's surplus is on the increase from harvest to harvest.
(6) The peasant converts his surplus into durable consumer or producer goods (real estate, gold and silver, pumpset and agricultural land).

The petty peasant rarely gets beyond stage-2 and even if a couple of good harvests push him towards stage-4, a sudden contingency (death of cattle, funeral, marriage, hospitalisation) pushes him back to a lower stage. In addition, if the prices fluctuate too much between the harvests (details in an earlier work of ours) he is even pushed out of stage-1, in which case he becomes dependent on the sale of his labour. As long as a petty peasant is able to retrieve his vessels and jewellery which he pledges for cultivating expenses, he is recognised by himself and others as having had a normal season. This is because, he has assets which he can pledge for the next season's cultivating expenses.

These details clearly indicate that the petty peasant's economic calculations cannot be based on static equilibrium considerations. The age-old petty peasants' proverb was mentioned to us, when we attempted to collect information on their farm budgets: "When the tiller of the soil tries to balance his income and expenditure (per season) even an *ulakku* of paddy does not remain". (Ulakku = approximately 0.4 kg).

Let us now attempt to put together (on the basis of the facts known to us[19]) a simple exercise on economic calculations of the peasants. Let us assume:

(a) The village as a closed economy,

specifically with reference to credit and labour markets.

(b) It is a simple crop economy — say paddy.

(c) Three classes of peasants, *viz.* the big peasant, petty peasant, and landless peasants. We shall assume that the big peasants only advance loans and do not incur debts, that the petty peasants incur debts and advance loans while the landless peasants are only debtors. All the leasable land belongs to the big peasant and is leased out mainly to petty peasants and (in small parcels) to the landless peasant.

(d) Prices of paddy do not fluctuate.

(e) Technology does not change.

Based on our earlier narrative, we can state the following relationships:

$$Y_{i_t} = r.Y'_{i_t} \quad (I)$$

where Y_{i_t} is the Gross value of realised output in the 't' th crop of the member of 'i' the class; Y'_{i_t} is the value of the planned output of the member of the 'i' th class for the 't' th crop. r is the co-efficient (constant) of uncertainty.

$$Y^*_{i_t} = Y_{i_t} + \sum_{i=1\,2..t}^{t} A_i \quad (2)$$

where $Y^*_{i_t}$ is the accumulated value of stock (of produce and assets) in the hand of this peasant and $\sum_{i=1,2..t}^{c} A_i$ is the accumulated surplus over the previous crops; so that if Z is the total payments made after each crop.

$$Y_{i_{t-1}} - Z_{i_{t-1}} = A_{i_{t-1}}$$

$$Y_{i_{t-2}} - Z_{i_{t-2}} = A_{i_{t-2}}$$

and so on.

The planned output (in value terms) may be stated as

$$Y'_{i_{t+1}} = F\left(\sum_{t=1,2..t}^{t} A_i, \phi\right) \quad (3)$$

where ϕ is the technology constant indicating the vector of labour-capital mixes available to the peasant at that time. This relationship merely emphasises the combined effect of technology and resource availability in enabling the peasant to choose a particular factor-mix (and hence a particular level of output).

In the three-class economy, from the side of distribution of the actual output:

$$Y_{i_t} = C'_{i_t} + C''_{i_t} + S''_{i_t} + S'_{i_t} \quad (4)$$

where C'_{i_t} = Debts incurred to meet cultivation expenses during 't'.

C''_{i_t} = Debts incurred to meet consumption expense during 't'.

where S'_{i_t} = Accumulated debts of the previous time periods.

S''_i = The left over part of the output for 'family expenses' during 't + l'; which also includes the foodgrains to be marketed during t + l.

In the closed three-class economy, a major share of the C′ C″ and S′ accumulations during 't' are actually payments made mainly to the big peasants by others, and to some extent to the petty peasants by the landless peasants (and by other petty peasants). Landless peasants are struggling to make both ends meet and the petty peasants almost so.

$$(C'_{l_t} + C''_{l_t} + S'_{l_t}) + (C'_{p_t} + C''_{p_t} + S'_{p_t}) = R_{p_t} + R_{b_t} \quad (5)$$

where 'l', 'p' and 'b' denote the three classes landless peasants, petty peasants and big peasants, respectively, and 'R' denotes receipts from usurious transactions.

If the liabilities of the petty peasants (as a class) are greater than their assets,

$$R_{p_t} - (C'_{p_t} + C''_{p_t} + S'_{p_t}) = A_{p_t} < O \quad (6)$$

and the big peasants remain as the only class with a surplus. Thus in equation (3), the value of $Y'_{i_{t+1}}$ depends up on the class position of the peasant concerned and hence, from one crop to another, all peasants are either in an upward spiral or a downward one.

In this system, balance is restored by exogenous factors such as:

(a) A bad crop.

(b) Contigencies such as marriages, funerals etc, which result in heavy expenditure.

(c) Partition resulting in the splitting of assets.

All these factors tend to counter the steady upward swing of the big peasants' fortunes over time. same time, the landless pe even a petty peasant, could times of total destitution) pled 'labour power' as a collateral insecurity in the future, thus to bonded labour. The momen becomes bonded, receipts and p made by bonded labourers are gulated by the patron that they a low-income level of stability institution of share-cropping c used to stabilise the system fur the big peasants 'retire-off' bonded servants as share-cropp take on their sons or nephews i place.[20]

Thus, at a certain level of tion of the poor, and given the nology, bondage stabilises the levels of the system, while a ba or conspicuous consumption or tion stabilises the upper levels system.

It is possible to introduce, tec gical change, an 'open' credi labour market and other classes this framework. However, in es the point that is conveyed is tha yield levels of the peasant's culti and their respective futures is bas determined by their class positio the nature of class relations.

We have not considered the earnings in this exercise, but th because we have taken it that the peasants maintain wages at (or jus low) subsistence levels.

Likewise, we have also not c dered the introduction of non-agr tural occupations into the system, we feel that evidence suggests there is a definite connection bet the availability of these opportun and class dominance at the village and above.[21]

Thus we find that agrarian relat cannot be understood except with ference to class relations. The of pensantism lies in romanticising very weaknesses of a petty peasan his advantage.

Notes

1 N Georgescu-Roegen (1960), p

2 Consider, for instance, the l number of academecians and ot who have written on the sub J Ackerman *et al* (1962), D T ner *et al* (1966), A K Sen (19 75), T G Kessinger (1974), T S in (1974), M Harrison (1975), W Haque *et al* (1975), are b few of the peasantist works w occur to us. This period has seen the emergence of sev journals specialising in 'pea affairs'. A large part of this santism' can also be classified

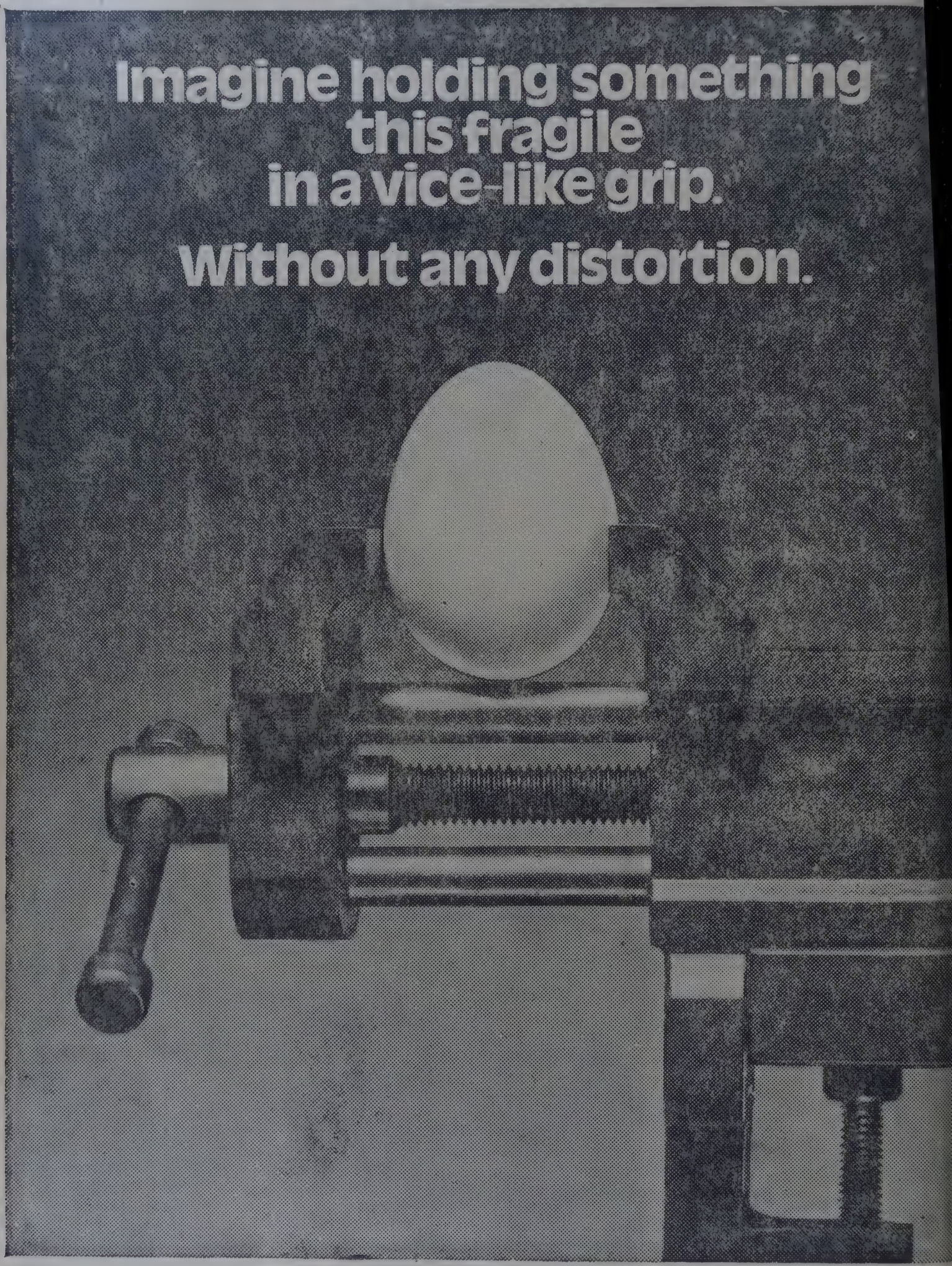
opulism [See, Sivakumar (1976)].
S Sivakumar (1976).
Nurkse (1953), W A Lewis (1954), H Leibenstein (1957) and Ranis and J C H Fei (1961).
Thorner (1972).
Thorner (A V Chayanov) (1966).
here has been a prolific debate n this issue in India. Since Rajrishna (1962) and A K Sen (1962) nitiated the debate, more has been ritten on 'farm size and productivity' than on any other issue ertaining to Indian agriculture. Not all advocates of 'small farms re more productive' could be ermed peasantist. For instance, H Hanumantha Rao (1966) uses distinctively neo-classical argument.
Details of Chayanov's ideas are iven in S S Sivakumar (1976). The populist origins of Chayanov nd the nineteenth century legacy n his ideas are also discussed herein.
S S Sivakumar (1979).
G Kessinger (1974).
The class structure and social ramework of Asthapuram-Kanhapuram, have already been discussed in S S Sivakumar (1978) and S S Sivakumar and Chitra Sivakumar (1979).
S S Sivakumar and Chitra Sivakumar, *ibid.*
ibid.
S S Sivakumar (1978).
A K Sen (1975), p 147.
A K Sen (1962).
A K Sen (1975), p 69.
ibid, p 150.
S S Sivakumar (1978); S S Sivakumar and Chitra Sivakumar (1979). This indeed was the case at Asthapuram-Kanthapuram some decades ago. See S S Sivakumar and Chitra Sivakumar, *ibid.*
See S S Sivakumar and Chitra Sivakumar, *ibid.*

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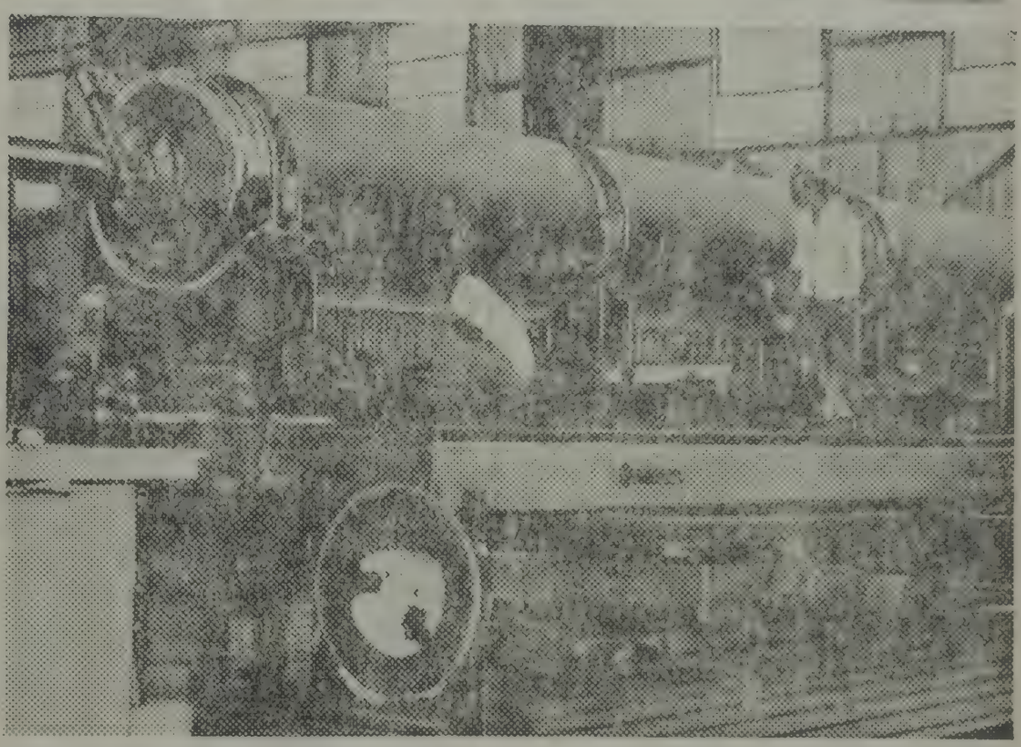
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Great Eastern Shipping

GREAT EASTERN SHIPPING, which suffered in recent years due to acute worldwide shipping depression, is looking ahead to improved performance. It expects that the current year, ending June 1980, will prove profitable and that it will be able to pay a dividend to the shareholders who had to go without it for two years. This expectation will be a reality provided the prospective years are good enough to have cash flows to meet loan repayment liabilities, which have to take precedence over dividends. According to chairman Vasant J Sheth's estimate, the company has earned a profit of Rs 2.5 to 3 crores as compared with a loss of about Rs 2.75 crores sustained during the corresponding period of the previous year. This outcome has followed a change in the pattern of the company's operation in view of the uncertainty regarding prices of fuel. Instead of carrying cargoes on voyage charter, where the risk of fuel, port charges and labour uncertainties are on company's account, the management has chosen to fix ships on time basis. Consequently, while the freight earnings for the 7 months have gone down from Rs 18.93 crores in the previous year to Rs 13.74 crores in the current year, the time charter earnings, which are related to the direct standing costs, have increased from Rs 5.91 crores to Rs 15.31 crores. In his speech at the annual general meeting of the company, Sheth has compared the helplessness and discomfiture of Indian shipping companies with some shipowners in Hong Kong and elsewhere, who not only fared far better than the former during the depression years but also added substantial tonnages to their fleets at very low prices. He points out that shackles and fetters imposed by government have stifled the Indian shipping companies. Purchase and sale of ships, which are decisions of great importance in capital-intensive shipping, cannot be taken and implemented by Indian shipping companies freely without government control and interference. The present government procedures for grant of sale and purchase approvals involve making an application to the Director General of Shipping who in turn refers to New Delhi where there may be inter-ministerial exchanges between the ministry of Shipping and Transport and other ministries, resulting in delays of three to four months before the applicant gets a reply to his application. Sheth has also advocated that government policies should encourage the merger of shipping and non-shipping companies, which would not only give a spur to shipping development but would also result in speedy growth of non-shipping industries. When cash-flows and profits are low or negative during shipping depression, cash-flows and profits from non-shipping activities provide a much needed relief.


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Agrarian Structure and Family Formatio

A Tentative Hypothesis

N Krishnaji

The focus of current research on agrarian structure and family formation is mainly on family-siz one of its determinants, viz, fertility. The aim of such research is to discover why some couples family planning practices while others do not.

This kind of research is, of course, useful to the policy-maker who is concerned with measure reducing overall fertility; but it is insufficient for understanding family-size dynamics for, apart from lity, two other factors, viz mortality and partitioning (which gives rise to new families), also play a cr role in determining the size of the family.

For understanding family-size variations, it is, therefore, necessary to study the phenomenon partitioning. This paper is restricted in scope to studying differentials in rates of partitioning among ho holds belonging to different agrarian classes. The author's hypotheses are concerned with the econ rationale of partitioning or resistance to it and hence with the advantages and disadvantages sprin from market forces, specific to different classes, which can arrest or promote partitioning.

THIS paper is an attempt to formulate hypotheses which relate characteristics of family formation to the agrarian structure under transition. The focus of current research on the subject is mainly on family-size and *one* of its determinants, *viz*, fertility. Hypotheses usually investigated in this context refer to fertility differences among different socio-economic groups and are cast in terms of the economic rationale of large or small families. The aim of such research is to discover why some couples adopt family planning practices while others do not. This kind of research is of course useful to the policy-maker who is concerned with measures for reducing overall fertility; but it is insufficient for understanding family-size dynamics for, apart from fertility, two other factors, *viz*, mortality and partitioning (which gives rise to new families), also play a crucial role in determining the size of the family. Large families could be large simply because they have remained undivided. For understanding family-size variations it is necessary thus to study the phenomenon of partitioning. This paper is restricted in scope to differentials in rates of partitioning among households belonging to different agrarian classes. The hypotheses are concerned with the economic rationale of partitioning or resistance to it and hence with the advantages and disadvantages springing from market forces, specific to different classes, which can arrest or promote partitioning. Since no hypotheses are advanced here on rates of fertility and mortality the paper must be regarded as merely as a first-step — but a necessary one — towards a theory of the determination of family-size.

The agrarian structure we are concerned with here is one which is associated with developing capitalist relations and has agricultural labourers and poor peasants at one extreme and rich peasants and capitalist farmers at the other. Let us consider first agricultural labourers and poor peasants. They are usually involved in the markets mainly as sellers of labour power and buyers of wage goods, and only to a limited extent as sellers of agricultural produce. The labour market, characterised by a high degree of unemployment, does not confer any special advantage to a joint family (loosely defined); on the other hand, uncertainty of finding work, especially in the lean seasons, may make intra-family income-sharing difficult for joint families. With regard to buying of commodities and the limited selling of agricultural produce no gains accrue to undivided households. There are thus no economic forces which tend to arrest partitioning among such households. Moreover, low levels of expectation of life among them induce a faster-than-average time-rate of reproduction (of households) which is realised partly through early marriage. The latter reinforces the tendency towards partitioning. For 'attached' labour households, however, because of lack of freedom to partition or of security of employment that such attachment entails, forces working against partitioning may operate to a limited extent.

On the other hand, in rich peasant and capitalist farmer households, wherein economic activity is diversified, work — both on-farm and off-farm — is mainly supervisory in nature and is associated with not only cultivation but also the processing and marketing of produce. There ar distinct economic advantages wh joint family with a large numb adults enjoys compared to a n family (with more or less chil Besides, the involvement of such h holds in trade and transport co economic advantages in buying inputs) and selling (of output) hence constitutes a disincentive partitioning. Apart from all this difficulties of liquidation of indivi assets (which may be necessary partitioning the household) also to slow down the process of parti ing. What is important in this con is not merely the relationship betw 'cumulation of economic advan based on land ownership and accu lation which is external to the ho hold but also the diversificatio economic activity within the ho hold itself. Salary earnings can an important role in bringing a such diversification.

We may thus hypothesise that of partitioning will be high an agricultural labourer and poor pea households and low among rich pea and capitalist farmer househ Apart from these two categorie households we need to consider mi peasants. The middle peasantry is a homogeneous category, especially respect to the nature and extent their market involvement. The gory thus contains some who rese poor peasants and some who rese rich peasants in relation to markets. We may therefore ex rates of partitioning among mi peasants to lie between those of rich and poor peasants.

To explain observed variation the average size of the house

1 : Age Composition of Population by Size of Landholdings : Kerala, 1970-71

of tional ng res)	Average Size of Household	Age-Group (years)				
		0-15	15-55	55-65	Above 65	Total
		(Per cent of population in size-group)				
0.25	5.97	40.42	50.04	8.02	1.52	100.00
0.50	6.38	40.02	50.13	8.20	1.65	100.00
1	6.73	40.23	50.70	7.45	1.62	100.00
2	7.24	39.22	51.08	8.07	1.62	100.00
3	7.39	38.38	52.12	8.29	1.21	100.00
4	7.59	36.56	52.96	8.33	2.15	100.00
e 4	8.38	36.03	52.56	9.19	2.22	100.00

e : "The Third Decennial World Agricultural Census, 1970-71", Report for the Kerala State, Bureau of Economics and Statistics, Kerala.

ABLE 2 : Rates of Natural Increase in Veronezh Gub by Land Held Per Household (Per 1000), 1897

Held (Des)	Birth Rate	Death Rate	NaturalIncrease
than 5	51.8	35.0	16.8
15	53.8	33.2	20.6
25	53.0	28.6	24.4
than 25	55.8	26.2	29.5

: Teodor Shanin, *op cit.*

; different agrarian classes in any c region of the country much than the above hypotheses is d; apart from hypotheses con- g fertility and mortality, a con- tion of family-size dynamics pre-capitalist relations, which is ial for the purpose, is outside cope of this note. If any "expla- n" is sought after (or can be sted by the hypotheses) it is for niversally observed fact that agri- ral labour households have the est average size among all agrarian holds. While morbidity and ality rates among them (and poor holds in general) are expected to igh and these can partly explain smallness in family-size, it is ally believed that levels of fertility g the poor are also high. This f underlies the contemporary poli- of family planning which does not tly concern us here. What we are ested in is the possibility of the ncy towards "nucleation" being prominent among labouring holds than among households g large landholdings; such a ncy will reinfroce the effects of mortality and counteract the bly high fertility levels to keep verage family-size low.

is brings us to an important quali- on to our hypotheses which s them rather specific to the con- orary Indian context. The asso- n between industrialisation and leation" of families was a feature the development of capitalism, especially in its later stages, in the West. The pattern of capitalist development in India, especially in rural areas, differs from the Western experience in many respects. Among these the most important for us here is the fact that land is still the principal asset in rural areas. Investment finds its way either directly into activities related to land improvement and productivity or into areas related to the marketing of commercial produce such as trade and transport. Since land thus plays a central role in the process of investment, other things remaining the same, its indivisibility in family holdings gets strengthened. The obvious implication is that joint families need not disappear automatically with the rise of capitalism. Ramakrishna Mukherjee's study, "West Bengal Family Structures, 1946-66", which goes into this question, is quite appropriately subtitled "An Example of Viability of Joint Family". We shall refer to this study again later.

Let us now comment briefly on the relationship between rural-urban migration and the tendency towards nucleation of families. Although a satisfactory analysis of this relationship cannot be attempted here, we may note at once that ownership of land is one of its crucial governing factors. The seasonal migration of agricultural workers and peasants during periods when work is not available in rural areas is well known. Apart from this, while migration may often mean a final break with rural parent families in the case of landless households, such may not be the case for families owning land. This can be expected to be true especially in the case of families owning large landholdings. In such cases while the family is subdivided in a physical sense, its different branches may continue to invest jointly in activities allied to agriculture and centred around the family holding. This may sound speculative in the absence of the relevant data but we mention it here so as to highlight the need to consider the role of families as units of investment and not merely as units of production and consumption.

In sum, we may hypothesise that nucleation of families, while being associated with capitalist development in general, need not affect all agrarian classes uniformly. The processes of dispossession and pauperisation of the peasantry can promote nucleation at one end of the peasant spectrum while consolidating the joint family system (or rather, retarding its decay) at the other, especially when ownership of land remains the principal means of acquiring wealth.

II

Available data throw some light on the hypotheses. Before discussing the implications, in this respect, of some well known empirical observations it is necessary first to sort out some methodological issues.

What we generally have are survey data relating to average household-size among different population groups. In sample surveys a household is usually defined as a group of people living under the same roof and sharing their meals from the same kitchen. Household data based on surveys are thus not quite suitable for investigatting our hypotheses since we are interested in families as landowning units.[1] A more serious problem is the lack of data on rates of partitioning, fertility and mortality of households classified by size of landholdings. For this reasons we shall be satisfied with seeing whether anything can at all be indirectly inferred on rates of partitioning from household-size statistics and not attempt to obtain conclusive results on patterns of partitioning.

For a closed population, the average size of household is determined in the long-run, by the birth, death and partitioning rates. Household-size increases with the birth rate and decreases as the death rate increases. Partitioning reduces the average house-

TABLE 3 : HOUSEHOLD SIZE AND RELATED CHARACTERISTICS : A KUTTANAD VILLAGE, 1976

Category of Household and Size of Land (acres)	Average Household Size	Average Age of Head (years)	Proportion of Joint Families (%)	Total Number of Households
Agricultural labour				
Less than 0.10 acre	5.21	45.6	12.12	33
More than 0.10 acre	5.06	47.8	12.50	16
Cultivator households				
Less than 1 acre	5.77	48.4	31.80	22
1-5 acres	5.78	51.6	36.11	36
More than 5 acres	6.00	58.4	38.50	26

Source : Data collected by Joan Mencher and P G K Panikar

TABLE 4: HOUSEHOLD CHARACTERISTICS IN A SAMPLE OF 521 HOUSEHOLDS: KERALA, 1977-78

	Size of Land-holding (Acres)	Number of House-holds	Average Size of Land-Holding (acres)	Average Size of House-hold	Percentage Distribution of Households by Types				
					0	A	A'	B	B'
Cultivators	0—1	43	0.66	4.46	37	54	9	0	0
	1—2	83	1.89	5.44	14	51	23	10	2
	3 or more	74	5.83	6.32	7	39	32	20	1
Agricultural labour	with land	196	0.32	5.45	16	51	19	8	6
Plantation labourers	without land	89	0.00	5.85	6	66	18	8	2
„	with land	36	1.12	6.41	0	69	8	19	3

Note : Household types are defined with respect to the number of married persons with spouse living in the household (M) and number of persons widowed, divorced or separated (W).
0 : M=0 (i e, the household is headed by an unmarried person or one who is widowed, etc)
A : M=2, W=0; A': M=2, W≥/1; B : M≥/4, W=0; B': M≥/4, W≥/1.

hold-size since a partitioned household gives rise to two or more households of smaller size. More precisely, the rate of increase in the average household-size can be shown to be (b−d−p)/(1+p) where b, d and p are the birth, death and partitioning rates respectively.[2] Accordingly, when we look at empirical correlations involving household-size we can indirectly infer something about the rates of partitioning provided we have some knowledge about the rate of natural increase (b−d). This is possible, however, only if there are reasons to believe that the correlations are the result of long-run tendencies (since in the long-run it is the rates of increase and not the initial levels which determine the variations in the average size). A second issue relates to the relationship between rates of birth and mortality and the age distribution of the population. It is well known in demographic theory that age distributions are more sensitive (by a factor of 10 to 1 or more) to birth rates than to mortality rates. If one population has a significantly higher proportion of children than in another, it is a reasonable inference that the first population has higher rates of birth and natural increase.[3] Let us now turn to the empirical observations.

(1) Among agricultural labour households those with land have higher average size than those without land. This holds among both the 'casual' and 'attached' labour households. Among agricultural labour households without land, attached households have higher average size than casual labour households.

These relationships (readily verifiable on the basis of various Agricultural Labour Enquiries) appear to have a universal validity over space and time and hence we must look for an explanation in the rate structure, i e, b, d and p. The age distributions among the above different categories look practically alike. One can thus infer that while the birth and death rates do not differ radically among these classes (there are no *a priori* reasons for believing that they may differ), rates of partitioning are lower among those with land; further that among households without land casual labourers partition their households at a rate faster than do the a labour households. It is quite cant, in this context, that am bour households with land th tionship (with respect to avera between attached and casual households is not unambiguou some states one category ha higher average size and in so other has. Two factors may b work here: attachment and s landholding. We may infer tha among agricultural labour hous ownership of land influences formation behaviour.

(2) We now turn to the unive observed positive correlation be the size of landholding (or asset ing or wealth in general) and th of the household. This can be ed from practically any source of giving the distribution of land assets) among rural households. cause of the universality of the c lation, we must look for an exp tion in differentials in birth, death partitioning rates. The explana need not, however, be universal different configurations of these can bring about the correlation. shall indeed argue that in at least cases, *viz*, the Russian data anal by Shanin[4] and others and the Ke (and possibly other Indian) data, rate structures are strikingly dissimi

Before we do that it is necess however, to clear up a methodolog point. Land distribution data do refer to closed population groups. particular, newly partitioned househo are smaller in size than parent hou holds and constantly move into lower size-class of landholdings. can be shown through a simple ma matical model that if the rates natural increase of population are widely different among the diffe size-classes, then even uniform r of partitioning can, in the long- produce a positive correlation betw size of holding and size of house (since partitioning reduces the size the household as well as that of la holding at the same time); howe such a possibility would depend the extent of skewness in the distr tion of land as well as the pre magnitudes characterising the structure.

But, roughly speaking, if the r of natural increase decline significa as the size of holding increases, the distribution is highly skewed, form rates of partitioning ca systematically lower the average

TABLE 5: COMPOSITION OF SAMPLE HOUSEHOLDS BY RELATIONSHIP TO HEAD OF FAMILY CLASSIFIED BY SIZE OF LAND CULTIVATED: KERALA, 1961

of ing s)	Average Size of Household	Composition of Population (Per Cent)				
		Heads of Household and Spouses	Married Relations		Never Married, Widowed, Divorced or Separated Persons	Unrelated Persons
			Sons	Others		
han 1	5.70	30.7	2.2	6.7	59.9	0.3
4	6.42	27.9	3.1	7.9	60.2	0.9
4.9	7.16	25.3	3.7	9.2	59.6	2.2
4	7.48	24.0	4.1	9.9	58.4	3.6
9.9	8.00	23.9	3.8	10.9	58.2	4.9
more	8.18	21.9	4.2	10.3	57.5	6.1

es: Census of India 1961, Vol VII, Kerala, Part II-C.

usehold (which has a tendency high because of a high rate of l increase) in the small holdings to bring about the positive cor- n. At any rate the correlation t be unambiguously interpreted ut a knowledge of the variations birth and death rates.

ring the above remarks in mind consider the data in Table 1. hanging age-distribution indicates rates of natural increase are r in the smaller holdings; how- the differences could be narrow. are willing to assume that death are higher in the small holdings appears to be a reasonable as- tion) it would follow that birth must also be higher. The data l then be consistent with the hesis of higher rates of partition- ssociated with smaller landhold- However, the possibility of uni- rates of partitioning bringing the positive correlation between f land and household-size cannot holly ruled out on the basis of data.

factor which could make the data favourable to our hypotheses is nature and magnitude of land fer through sale. If we identify the with the process of dispossess- of poor peasants, mobility in s of the size of land induced by sale will be associated in the -run with the movement of higher households into smaller holdings ase a poor peasant household is ssessed of a part of its land; if wholly dispossessed it would move the landless class, in which the ge size of household is the least g all agrarian classes) and *vice* . Thus the differentiation process cing sale of land) works against positive correlation in the short- and the persistence of positive lation can result, especially in ds of considerable land transfer the poor to the rich, only from higher rates of partitioning in the smaller holdings. However, data relating to land transfer through sale, especially by poor peasants, are lacking. Hence, no firm conclusions emerge from the data we have been discussing. The data are not, however, in conflict with the hypothesis.

The Russian data of the late nineteenth century present a different pattern: the rates of partitioning rise with the size of land holdings, but surprisingly, so do the rates of birth and natural increase (see Table 2). The data in Table 2 would imply that the proportion of children must have been higher in the larger holdings (in Kerala it is the other way round). Shanin combines these figures with (available) data showing higher rates of partitioning in larger holdings, to buttress Chayanov's life-cycle theory of mobility. However, a critique of Shanin's study by Mark Harrison shows that partitioned households were better off than undivided households (in terms of productive assets) and constituted the base for the emergent rural bourgeoisie.[5]

The differences between the Kerala and Russian cases are of great significance to our treatment of the economic rationale of family formation. Since partitioning of households — or rather the ensuing subdivision of landholdings — implies a reduction in the scale of operation, it may appear to go against the economic logic of capitalist development. Higher rates of partitioning among large landholders would then render meaningless any association between family-size dynamics and the development of capitalism. Harrison has shown however that this is a superficial interpretation of the Russian data: he has examined in detail and uncovered the capitalist logic underlying the sub-division of large landholdings. The important point is that the same logic, *viz*, that of profitable investment, can lead to different results in different historical situations. Apart from Harrison's observations we need to note in this context another factor, related to the degree and nature of capitalist development, which accounts for differences such as those between contemporary Kerala and Russia at the turn of the century. In Kerala (and large parts of India in general) land ownership continues to be the principal means of accumulation in the countryside. The corresponding lack of significant industrialisation is associated with low levels of consumption of commodities other than food by labourers and poor peasants on the one hand and the almost exclusive nature of the involvement of the emerging rural bourgeoisie in land-related activities (including trade and transport) on the other. Lenin's data for Russia of the same period bear adequate testimony, in contrast, to both much higher levels of consumption of non-agricultural commodities by the poor and a far higher degree of involvement of the emergent bourgeoisie in rural industries.[6]

For us the differences are important from another point of view however. The positive correlation between family-size and wealth can arise out of different demographic configurations. Death rates can be expected to be higher among the poor than among the rich everywhere under all historical situations. The universality need not hold however in respect of the behaviour of rates of birth and partitioning. In Russia the largeness of the family-size among the upper sections of the peasantry was maintained in spite of a high degree of partitioning by high birth rates whereas in Kerala (and India in general) it is maintained in spite of possibly low birth rates (as implied by the age-distributions which generally show higher proportions of older people and lower proportions of children among the rich than among the poor) by low rates of partitioning.

III

Let us now consider some direct evidence on joint families. Table 3 summarises data relating to a stratified random sample of 133 households chosen from a village in South Kerala. These data show that agricultural labour households have the smallest proportion of joint families (defined as those in which more than one related couple live); and that this proportion

rises with the size of landholding. The average age of the head of the household also increases with the size of land (Table 3).

Table 4 gives data relating to 521 households chosen from four districts of Kerala. They constitute a subsample of a larger sample of households surveyed by the Bureau of Economics and Statistics. These data show that there are no joint families (of the B or B' type wherein there is more than one related couple living) in households with holdings below 1 acre in size. The proportion of joint families increases with size of holding. The data also show the existence of joint families in both agricultural labour and plantation labour households (giving them a higher average size than among all but the large cultivators). However, all but four agricultural labour households had land; and among the plantation labour households the differences between those with land and those without land are as expected. The existence of joint families among agricultural labour households may be partly due to the fact that recent legislation has conferred on them rights to ownership on huts and hutment land. Among plantation labourers it may be due to the type of labour contracts which ensure continuity of employment to the members of the labourer's family. We do not, however, have any direct factual evidence on these issues.

The 1961 census data on household composition, although not suitable for classification by family types as in Table 4, are in general consistent with the hypothesis that the proportion of joint families rises with the size of landholding. Table 5 gives these data in respect of Kerala. The data for other states exhibit similar patterns and thus whatever can be inferred from these data would hold good for all parts of rural India.

Variations in the household composition across the different landholding groups have the following features:

(1) Heads of households and their spouses constitute as much as 30 per cent of the total population in the lowest size group but only 21 per cent in the highest; this percentage has a pronounced tendency to fall as the size of landholding increases.

(2) The proportion of "married relations" rises with the size of landholding; this is true in respect of both sons and other relations (presumably brothers). This indicates the association between large holdings and undivided families.

(3) The proportion of "never married; widowed, divorced or separated" has a mild tendency to decline as the size of landholding increases. This category consists not only of children but also adults who are either unmarried or widowed. As we have seen from Table 1, the proportion of children has a mildly declining tendency as the size of landholding rises; this may imply a rough constancy in the proportion of unmarried adults and widowed, divorced or separated persons.

Let us now briefly consider possible alternative explanations for the empirical observations. The latter — especially, the correlation between the size of the family and wealth — a interpreted as evidence in su Chayanov's life-cycle theory. ever, a crucial requirement theory is the ability of peasan holds to acquire additional la family-size increases, either communal repartition of land Russia or through an emergi market.[7] Further, since C considers the peasantry as a geneous category, all peasant holds at a particular stage demographic development o family must behave alike. N standing data which show *so* ward mobility of peasant hou in terms of landholding in som of India,[8] it is difficult to accep

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ity as the exclusive explanation
he correlation between family-
nd wealth. All historical evi-
on land relations in India point
takably to a continuous process
uperisation of the peasantry; the
of poor peasants surviving on
bits of land to acquire additional
or other assets) remains no more
an unrealistic theoretical possi-

Moreover, the emergence of
landholdings and concentration
d is a complex historical process
ich the demographic experience
ividual families could not have
a decisive role.

econd, more plausible, explana-
for the empirical observations is
that the rates of mortality are
among the poor than among the
poor people do not in general
ong enough to form large joint-
units. This alone may suffice
explanation but, as we have al-
noted, defferential rates of parti-
g (with high rates among the
reinforce the effects of differen-
ortality. In any case, since nu-
units are formed out of large
es both among the rich and the
there is a need to hypothesise
ossible differentials in rates of
formation.

IV

olished data based on the Agri-
ral Labour Enquiries, the Natio-
ample Survey and the Census of
show that the empirical observa-
we have made in respect of
a hold good for other states also.
here are strong *a priori* grounds
xpecting the hypothesis of a re-
ship between family formation
land ownership to be specially
for Kerala. Among different
s Kerala has the highest degree
ommercial crop production, with
crops (mainly paddy) being allo-
roughly only 40 per cent of the
cropped area. However, the
e of industrial development is
; existing industries mainly relate
e primary-processing of the com-
ial produce of agriculture. Be-
, the high level of productivity of
(in value terms) and the scope
s further increase through invest-
create an "urban interest" in
and a consequent rural-urban
s in land relations which are per-
unparalleled anywhere else in the
try.[9] All these factors contribute
e association between large land-
ngs and large family units.

t the "viability" of the joint
y has been noticed even in West
al, an industrially advanced re-
gion. Ramakrishna Mukherjee[10] concludes on the basis of data collected through a carefully designed survey that the extended family organisation is the most marked among certain sections of the "landed gentry" and is least marked among other groups which include "those who depend on others in the society for their survival". Mukherjee does not, however, consider landownership, specially in rural areas, as a possible explanatory variable for the observed differentials.

This points to the general validity of a process of nucleation being more pronounced among the poor peasants than among the rich. It is in this context that the characteristic of land being the principal means for augmenting wealth assumes importance. Thus, while it is possible to formulate a fairly general hypothesis which relates family formation to capitalist development, the specific features of this development have to be taken into account for understanding family-size dynamics. One implication of this is that it is not possible to generalise the hypotheses we have discussed in this paper even to all pre-industrial societies in spite of data which show correlation between family-size and wealth in some of these societies.[11] Indeed, an interesting study by David Levine shows that in pre-industrial England, in certain rural communities the rise in demand for labour, following limited mechanisation in the developing industries, and the consequent induction of women and children into the labour force led not only to increase in fertility but also to unrelated working class families living together to form joint households as a response to the disorganisation of domestic work brought about by the specific nature of industrialisation under way.[12]

Notes

1 The corresponding data on landholdings usually refer to land owned or operated by households defined by the criterion discussed in the text. Thus a branch of the family living away (say, in an urban area) but retaining rights to ownership of land is not regarded as a part of the household in survey statistics.

2 If N and H are the initial population and number of households respectively, they increase to $N(1 + b - d)$ and $H(1 + p)$. Hence the average household-size increases from N/H to $N(1 + b - d)/H(1 + p)$. The rate of increase is easily derived from this.

3 See Ansley J Coale, "The Growth and Structure of Human Populations: A Mathematical Investigation", Princeton University Press, 1972 and Nathan Keyfitz, "Applied Mathematical Demography", John Wiley, 1977.

4 Teodor Shanin, "The Awkward Class", Cambridge University Press, 1972.

5 See Mark Harrison, "Resource Allocation and Agrarian Class Formation", *Journal of Peasant Studies*, Vol 4, January 1977.

6 V I Lenin, "Collected Works", Vol 3, Progress Publishers, Moscow, 1964. Lenin's data on peasant budgets show that in respect of the bottom-most group, i e, the horseless peasantry, food accounts for only about 56 per cent of the total expenditure (*ibid*, p 151). In contrast, for example, even in Punjab where subsistence has in recent years reached higher levels than in other parts of the country, it is estimated (for the year 1970-71) that small cultivators, as a group, spend about 80 per cent of the total on food; among the poorer of the group as well as agricultural labourers the percentage is even higher (National Sample Survey, 25th Round, July 1970-June 1971, "Tables on Consumer Expenditure, Indebtedness, and other Economic Aspects in Rural Areas, State: Punjab", mimeographed).

7 In his introduction to Chayanov's work, Daniel Thorner remarks, "where the peasants could not readily buy or take in more land, his theory would have to be seriously modified". See, Daniel Thorner *et al* (eds), "A V Chayanov on the Theory of Peasant Economy", Richard D Irwin, Inc, 1966.

8 See for example D W Attwood, "Why Some of the Poor Get Richer: Economic Change and Mobility in Rural Western India", *Current Anthropology*, Vol 20, September 1979. For a comment on Attwood see. N Krishnaji, *ibid*.

9 For a fuller discussion see, N Krishnaji, "Agrarian Relations and the Left Movement in Kerala: A Note on Recent Trends", *Economic and Political Weekly*, Vol XIV, No 9, March 3, 1979.

10 Ramakrishna Mukherjee, "West Bengal Family Structures, 1946-66," Macmillan, 1977.

11 For a number of studies relating pre-industrial France and England see, Peter Laslette and Richard Wall (eds), "Household and Family in Past Time", Cambridge University Press, 1972. A study in this volume by Michael Anderson, "Household Structure and the Industrial Revolution, Mid-Nineteenth Century Preston in Comparative Perspective" gives data from which the proportion of families with married children are derived for different agrarian groups as follows: Farmers with 100 acres or more — 10 per cent; 20 to 99 acres — 7.8 per cent; up to 19 acres — 4 per cent; and agricultural labourers — 2.3 per cent.

12 David Levine, "Family Formation in an Age of Nascent Capitalism", New York, Academic Press, 1977.

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Immigration Policy: Repatriation Is the Aim

Amrit Wilson

pril 1 the British government's Paper on Immigration will offi- become law. But in fact the it contains can be, and are being enforced. A parliamen- ebate on December 5, 1979 pas- e White Paper with only a few amendments, and any further ientary discussion now will merely it. A new level of racism has troduced into British legislation. been done not through the back- but with the deliberate self- usness of official policy.

Britain in the eighties, what is 'Immigration Policy' is not about g out new black immigrants (that en achieved long ago by the mmigration Act) but about the atic harassment and intimidation k people settled here. It is this e White Paper intensifies.

new legislation has two main — the erosion of rights within of black people settled here, e heightening of suspicion and lance against black people. Its al purpose is to lay down a philo- — that it is all right for black hite people permanently settled tain to have very different rights, acism is both natural and neces-

The White Paper also sets the for Britain's proposed Nationality (which in its Green Paper stage ses, among other things, to take the right to work and vote in this y from many blacks already here). In terms of current Tory it also points the way ahead: , which under the Labour Gov- nt was used to justify exploita- is now to be used to justify re- tion. If Labour and earlier Tory nments were pragmatic, manipulat- acism with a series of accelerators Immigration Acts) and brakes (the Relations Acts), Tory policy un- Margaret Thatcher is clearer and r; black people are undesirable emselves, no brakes are required cism. The aim is repatriation.

philosophy being laid down by hite Paper is new, but if you go East End of London or to Long- in Manchester or to any of the decaying inner city areas in Britain the black communities live, e will tell you that much of what White Paper is sanctioning has been in force. For example a powerful state apparatus, the Illegal Immigration Intelligence Unit, has been in operation over the last few years. It has organised mass passport raids, it gathers information on people who have no previous criminal records and it has a data bank with information on 15,700 'suspected illegal immigrants'. Now the paper announces "action to curb overstaying... so that people on temporary stay will not be able to 'dig themselves in'." If on the face of it what is being emphasised is merely a proper enforcement of the law, it is worth looking at what 'action to curb overstaying' has meant in the last few years. On the pretext of searching for illegal immigrants innocent families have been raided at night, children and old people terrorised, women humiliated and men often beaten up before being taken to police cells or prison. The next step is deportation for which no explanation need be given — merely that the Home Office is not satisfied that the person was here legally. The 1971 Immigration Act is one British law which in practice holds you guilty unless you can prove otherwise. Proving that you are here legally can be impossible because under the 1971 Immigration Act a suspected illegal immigrant has no recourse to the Courts in Britain. As a result more than 200 people are being held in the deportation wings of various prisons.

The White Paper now arms the enforcers of the Immigration Act with more power. Already Immigration Officers can operate not only at the ports of entry but anywhere in the country, raid people's homes at any time without a warrant; now they will have more power to make decisions not only about people's status but about their 'intentions'. Significantly the Home Office has announced that the police — well known by now for their racism and violence against black people — will have an increased involvement in immigration cases. At the same time the police too are asking for more power, or as Black newspapers and leaflets put it they are asking for legal sanction for the repressive acts they are already committing in Brixton, Bradford, Brick Lane and other areas where black people live. The powers the police are demanding are for example: to be able to detain, strip-search and fingerprint anybody they chose to, to fingerprint all persons in a certain area in certain circumstances, to use silence in court as incriminating evidence, and so on. These demands have caused hardly a ripple of interest in the British press. If at all they are presented it is in the context of fighting crime.

Even in the year of the child (as meaningless in Britain as it was in India) the police attack on the black family has passed unnoticed. What this attack can mean is shown for example by the experiences of the Ahmed family in Longsight, Manchester. On July 3, 1978 seven plainclothes men broke into their home. They smashed and vandalised their house. Nazir Ahmed and his son Munir thought they must be National Front thugs and tried to defend themselves. In fact Munir tried to call the police but one of the intruders ripped out the telephone wires. When Nazir Ahmed managed to get out of the house and shout for help one of the men smashed his face in. It was only when a neighbour arrived armed with a milk bottle that one of the intruders produced his police identification. Nazir Ahmed was so badly beaten that he needed hospital treatment. Both Nazir and Munir were charged with causing grievous bodily harm (a charge which could lead to life imprisonment) and assaulting two police officers. Those who organised the defence campaign (the charges were dismissed in court) asked in their leaflet "Why were the police there? Why did they behave as they did?" The answer to these questions is that for black people this is expected police behaviour — racist, brutal and arbitrary — a pattern repeated over and over again with Asians and West Indians. In Hackney, East London, for example, on February 6, 1979, the homes of two West Indian families were raided at 7 in the morning. In the first family everyone was in bed. The police moved in like storm-troopers. They ransacked the house throwing mattresses on the floor. The three sons were dragged off into a police van and taken to the police station. They were told that they were being arrested for stealing. At the same time the second home was raided and two teenage sons were taken to the same police station. In the police station, Osbund (20) claims that he was pushed up against the cell wall and told that unless he told the police everything his blood would be splattered on the wall. He says he was pushed on to his hands and knees and kicked and punched in this position. After ten hours Osbund was let out without being charged.

Osbund's experiences would not really surprise many young blacks in

Britain. In many municipal housing estates in South London there are few black children over the age of nine who have not had an encounter with the police. A new generation is growing up with criminal records — criminal because they are black. In fact as 'Police against Black People', a pamphlet produced by the Institute of Race Relations, puts it: "the whole black community is suspect... though with different suspicions. The suspicion about the West Indian is that he is a criminal, a wild man emanating from the jungles of Africa *via* the Carribean — mixed up with drums and voodoo and dark, dark rites — or that he is a careless Latin American given to carnivals, fiestas and easy living. The suspicion about the Asian is that he has sneaked in under the cover of night, the point of an unarmed invasion — from a subcontinent spilling over with people — an illegal immigrant, law abiding may be, but only because he was illegitimate in the first place".

With suspicion, surveillance and systematic police harassment making life almost unlivable in this country, the White Paper comes now as another push towards repatriation. Obviously black workers living here permanently would like to have their families with them in Britain. The White Paper makes it clear that this is going to be even more difficult than it has been. And the message is simply "If you don't like the way you are treated here go back where you belong". Of course, the Immigration Laws have kept families divided for years. The insulting behaviour of Immigration Officers, the degrading questions they ask are well known — how many guests were there on your wedding night? what colour is your family goat? how many cousins have you got? — any pretext has been good enough to try and catch people out and pretend they are not who they say they are. Hundreds of families have been destroyed forever. In the past children between 18 and 21 and elderly parents have had to show that they are financially dependent on their sponsors and that they can be supported in Britain without state aid. Now the White Paper rules that in addition (except for parents aged over 65) they must be 'distressed relatives' i e, without relatives in their own country and living below the poverty level there. Hardly anyone from a Third World country would be able to enter under this. In fact a clause for 'distressed relatives' exists under the 1971 Immigration Act but almost no one has ever qualified to come to Britain under it. In 1977 the Immigration Tribunal ruled for example that Joginder Kaur, a widow with no relatives in India except three young children, was neither distressed nor isolated: "It would appear that she has no income of her own and in that sense especially with three children to look after can be stated to be distressed, but the sponsor supports her financially and can do so equally well with the first respondent in India as with her in the UK". The White Paper's conditions on the poverty level are a blatant Catch 22 because if the applicant does not receive money from a sponsor in Britain he or she is ineligible anyway, but receipt of this money immediately raises their standard of living above 'the poverty level'.

With its interrogation, snooping and moral judgments the British State has sent its tentacles into the Asian community and now into the Asian family itself. If in the late sixties and seventies it was breaking marriages by keeping wives and husbands out of Britain, in the late seventies and eighties it is also splitting families already in Britain by claiming that they are based not on genuine marriages but marriages of convenience (contracted so that one partner can remain in Britain). Afzal and Shemin Mohammed from Whitby Yorkshire for example were told last year that their marriage is not genuine and that Afzal who does not have a British passport was going to be deported. The fact that they had been married eight years, have two children and that Shemin is pregnant again appears to have made no difference. The couple faced prolonged police harassment and Afzal has been prevented from taking employment. In August after Asian organisations picketted the Home Office twice, the Mohammeds were told that the Home Secretary would reconsider the case. They are still waiting for the Home Office verdict, Afzal still unable to take a job, Shemin fearing a miscarriage because of stress. It is against the background of cases such as these that the White Paper's well-publicised rules on marriage must be seen. From now on no woman settled in Britain will have any right to bring her husband into this country unless she was born here. If she was born here then she will have to prove that her marriage was not arranged in order for her husband to stay in Britain. This means that white women are likely to be allowed to bring their husbands into this country provided these husbands are white. In addition the white paper aims a specific blow at the arranged marriage system "a husband or fiance will be automatically refused if he and wife or fiance have never met."

Since the number of people coming in to marry is not large — minute compared to the number of Europ migrants for example — this ru White Paper seems designed s take the opportunity to attack t community and brand its cultur acceptable. This rule of the Whi crystallises what the media and e ment have been saying for so — that 'Asianness' can be defi that arranged marriage is its From this racist stereotype co racist deduction : that the Asia mitment to these uncivilised makes them untrustworthy in th of the law. Of course the conte Indian culture runs deep in society — it is a legacy of colo Now the British State, faced black settler population it does n and a growing black movement, sponding with both physical rep and a cultural attack. Culture an tical struggles are inseparable so Asian resistance, Asian culture ne be contained, defined, categori 'traditional' and made passive. Aut cally, so it seems, the state is upon its different resources: On channel is planning a series on ar marriage which will enable 'the [viewer to distance himself and l these interesting customs'; local co are suddenly concerned about the genital defects' caused by Muslim riage arrangements; anthropologists discovered a new subject, the 'ethn of immigrants; Sikh men are bein rested for the possession of offe weapons which turn out to be 'Kadhas'. The militant anti-racis Asian Youth Movements is b described by sociologists as not p cal at all but a curious ethnic h But if you go to Southall or the End of London and ask Asian wo there what their culture is about th tell you that Asian culture in Br incorporates traditions brought India, Pakistan and Bangladesh bu intensity and immediacy come from experiences in Britain. Se that your children are not beaten by racists on their way home f school, fighting racist employers decent conditions of work or tryin stop an invasion of your commu by National Front thugs; the expres of these experiences too is Asian ture. It comes not from 'ethnicity' out of being black and working c in a racist and class-ridden society

As for the generation of Asi growing up in this country, the p tical attacks being launched by White Paper only increase their de mination to fight back. For them patriation is not a question at all, t are here to stay no matter what ra laws the British state tries to inflict them.

ality and Control of India's Population

A R Kamat

I

SSIONS of India's population n almost invariably centre round id growth, measures of control, rious policies which go under nibus name of family planning amily welfare), their past and achievements, etc.[1] Questions ing to how Indian population works and dies, which are vital osely connected with the growth ntrol of population, if consi- at all, are relegated low priority.

interesting to observe the kind ctions which the question of population evokes in any group cated persons in our country. feeling of helplessness, of scare impending doom with no room s planet even to stand on, and d unless mankind decides to re- to wholesale cannibalism! The andists of family planning and have to that extent succeeded eir weird attempts at scare- ing. The second reaction, often and typical of the educated class, can be summed up thus: will be eating all *our* food". here are those who have a very 'arithmo-morphic' view of econo- rogress: since the numerator is not increasing at the neces- ace the *only* alternative is to re- he denominator (population) — g the fact that the two are not ndent but mutually interacting. inally the demographers, real or , for whom the problem of and control of population is the ving problem (if not at the same he problem of living).

course the reactions mentioned are not always so starkly crude. are refinements, embellishments phistications along with careful ot-so-careful inevitable statistical ; based on meticulously or indif- conducted surveys. But the ing all the refinements and cation is the sole pre-occupa- th the control of and reduction ulation.

II

useful at this stage to recapi- briefly the policies, the under- hinking and their implementa- connection with population con- trol in India during the last three decades.[2]

That India and China and other countries in the oriental world are 'overpopulated' mainly because of the cussedness of the indigenous population was a recurrent theme with imperialists throughout the colonial period. After the Second World War when one colonial dependency after another started wrestling itself out of the imperialist control, and particularly in the early 1950s when the rapid growth of population in the poorer half of the world became evident, the think-tanks of Western imperialism mounted their ideological offensive for the control of population through their bilateral contacts, through fund-giving foundations, and through the international agencies. The basic reason was of course the fear of numbers (the 'brown and yellow peril') in the eventual economic and political conflicts which were ingrained in the situation, although the liberal humanitarian motive was not entirely absent in the case of some of their academic and non-academic spokesmen.

This found a readily receptive soil among the Indian ruling circles and the academic world. There was some initial resistance among some sections of political leadership due to the legacy of national thinking of the pre-independence period including the Gandhian views on sex and conjugal relationship. But this was soon overcome, and the Indian government, the bureaucracy and the intelligentsia welcomed the message and swallowed it hook, line and sinker. Foreign aid schemes, international agencies and foreign foundations stepped in to ginger up the government and the bureaucracy on the one hand and the academia on the other.

This is not to say that the problem of India's rapidly growing population was (or is) not a real problem, or to suggest that contraceptive technology should have been rejected outright. The point at issue is the uncritical acceptance of the proffered solution to the problem — with a few honourable exceptions. Many demographers and other academics produced a plethora of KAP (knowledge, attitude and practice) surveys on contraceptive methods. The results which were in a sense in-built in the questionnaires and the method of administering them 'proved' to the satisfaction of the survey-demographers and their national and international patrons that Indian adult population was overwhelmingly in favour of family limitation and the use of contraceptives. Everybody realises now that these KAP surveys were a kind of command performance to bolster the policy programmes already decided.

A similar emulative simulation was taking place in the actual types of contraceptives vigorously propagated, particularly for the poorer sections. Sometimes there was the cafetaria approach, sometimes, the IUCD, at other times the master remedy of sterilisation. These shifts of emphasis probably followed what was advocated by their foreign mentors in contraceptive technology. Here also there was little independent thinking or careful try-outs on a long-enough period and the necessary after-care and follow up. And there was little by way of research to evolve an effective, easy-to-administer and agreeable contraceptive suited to the Indian situation and based on the indigenous resources and technology.

As India's dependence on Western foreign aid and industrial knowhow increased, the pressure from the donor countries and international institutions for a more and more rigorous implementation of population control also increased. Expenditure on population control rose from Rs two crores in the Second Plan to Rs 284 crores in the Fifth. An extensive and farflung health and family planning bureaucratic structure came up. Then followed (in the 1960s) the era of incentives and disincentives, high-power publicity, family planning 'drives' pressuring the most vulnerable sections of population to 'accept' the small family norm by the one-time contraceptive, sterilisation. It was perhaps not fortuitous that an aggressively voluble demographer in the good books of American donors was recruited at this juncture in the Central Council of Ministers to hold the health and family planning portfolio. The objective was the target fulfilment in sterilisations rather than educating and persuading the people in favour of a limited family.

The developments of the 1970s in this respect were even more hectic. At the Bucharest session (1974) of the World Population Conference India's then Minister for Health declared that economic development was the best contraceptive, thus advocating voluntary measures and persuasion, and eschewing pressure or compulsion. But by 1976, under Emergency rule, the Indian government (with the same

Health Minister) had opted for a policy of compulsion, and some states (like Maharashtra) even passed a compulsory family planning bill with penal clauses. Atrocities were committed in the name of family planning, which evoked popular resistance at some places. When the Janata came to power, there was a return to the voluntary approach and in spite of much talk and long declarations it is difficult to delineate the exact contours of the population policy that was in force during the Janata regime.

How did the demographers disport themselves during these shifts of policy? Those who were enthusiastic advocates of 'compulsuasion' in the late sixties and early seventies suddenly became the champions of the doctrine of development being the best contraceptive at and after the Bucharest Conference in 1974! During Emergency most of them equally staunchly defended compulsory sterilisation. And when the Janata came to power, they once again condemned the measures of compulsion they had supported only a year before.

III

It is against this background of more than 25 years of population policies; the official and non-official expert attitudes, and the texture of the vocal socio-political opinion that one should read, consider, and critically appreciate the voluminous writings of Asok Mitra on this question.* Of the five publications under review, the first two of the three ICSSR monographs are largely a reproduction (with added statistical information) of the last three sections of the Third Part of volume one of "India's Population: Aspects of Quality and Control" — the big book. The big book itself sprawls over more than 700 pages of text and tables, with seven appendices taking additional 140 pages and a bibliography of 40 pages. The following discussion will mostly draw on this volume.

Before doing so, however, it is only fair that the contents of this massive book be briefly indicated. Part I is a historic review of the growth of population during the period 1850-1950. Part II presents the quality of population in what Mitra calls the transitional period 1950-75 and deals with the birth and death rates, infant mortality, patterns of morbidity, fertility and family size, housing, nutrition and protection of children and mothers, and the changes in all these indicators over the last 25 years. Parts III and IV which deal respectively with the status of women and employment-unemployment matrix really go to the core of the problem, as Mitra visualises it. Part V reviews the developments with regard to population control since independence. The last Part entitled "The Art of the Possible" is an attempt at gentle persuasion to convince the readers that if there is enough 'political will' it is not beyond the realm of possibility to improve the quality of life of the large majority of people to a threshold where the already set-in, incipient but definite, decline in birth rate will pick up enough momentum and continue.

All these are accompanied with ample statistical information, tables upon tables of data culled from the Censuses and a large number of surveys and investigations. Part of such material is in the appendices, particularly that on droughts, famines and epidemics which gives a useful historical perspective to the declining death rate since 1931.

Before taking up the more important issues it is best to put away the relatively minor ones. First although for the material relevant to the considerations of the issue the net is cast wide enough (over 500 entries listed in the references), a selection appears to have taken place, perhaps with a particular angle. It is surprising that an author of the standing and viewpoint of D Banerjee does not figure in this listing. It is hoped this was an inadvertant omission.

Second, it is understandable that in a work with so many tables and figures some mistakes will creep in. For instance, the percentages of working children in age-group 5 to 14 on page 544 for urban, rural and total do not appear to be mutually consiste with such ratios as displayed IV.4.2 on page 547 from the 1 sus it is doubtful whether one any reliable estimates. Perhaps scanning of all this material for errors in copying, typing or and a small corrigenda would order.

Finally, the Introduction says work "is primarily addressed no reasearcher or specialist but to cerned citizen". With almost ni dred pages liberally strewn wit and figures one really feels co for the 'concerned' citizen w poses to wade through them joking apart, the author should s consider writing a lucid shorte on the lines of the shorter ver the Report on the Status of which was much more elegant able and to the point than the o

IV

The core of Mitra's thinking issue is that population policy in has to be considered as a part general effort to raise the qua the population. It is for this that he first presents the demog profile of India's population in post-independence period; birth death rates, infant mortality, mor age-sex structure, etc, which make its present quality (or wret ness). This inevitably leads t material base of these quality char istics — food and nutrition, ho health care and protection of in children and mothers. This in leads to the discussion to the two issues: employment and unemplo (which underlies the income dis tion), and the status of women. they form the socio-economic and tural core of the problem the described and analysed in conside detail. In fact the chapter on w sensitively dealing with their f ratio, age at marriage, educa health and employment is easily best writing on the subject in r years.

What are Mitra's main conclus First, that there has not been an nificant structural change in the s technological or economic state o country as well as in the structu the population since 1951; that th struments in the hands of the po work for their betterment are in fewer today than in the early (because of rising unemployment skewed income distribution); a high death rate and a birth rate occupies most of the

* Asok Mitra, **India's Population: Aspects of Quality and Control**, A Family Planning Foundation/ICSSR Book, Abhinav, New Delhi, 1978, (Two Volumes) pp xliv + 917; Rs 170.

Asok Mitra, **Implications of Declining Sex Ratio in India's Population**, ICSSR Programme of Women's Studies-I, Allied, Bombay, 1979, pp vii + 85, Rs 25.

Asok Mitra, **The Status of Women: Literacy and Employment**, ICSSR Programme of Women's Studies-II, Allied, Bombay, 1979, pp 74, Rs 20.

Asok Mitra, Adhir K Srimany and Lalit P Pathak, **The Status of Women; Household and Non-household Economic Activity**, ICSSR Programme of Women's Studies-III, Allied, Bombay 1979, pp 78, Rs 20.

Asok Mitra, **National Population Policy in Relation to National Planning**, Second Ajit Bhagat Memorial Lecture, 1977, Ahmedabad.

ramid, possibly upto 70/75 t of its height. Second, some of me movers of improvement in lity of life are female literacy ducation, their non-household nent, and improvement in pub- th leading to a palpable and g reduction in infant and child y. These form the core of the rudimentary development which ntribute to improvement in the of life and sustain steady re- in fertility. Third, there is a ut definite decline in the birth ce the late sixties, and particu- nce 1970. And finally it is pos- o continue this decline further ining a minimum improvement g conditions, social transforma- d tehnological progress. Here holds up Kerala as an example siderable fertility decline due to ination of achievements in educa- ealth services, declining death emale employment, rise in the marriage, land reforms and a democratised and decentralised re. (Sri Lanka is quoted as r example exhibiting the same Mitra believes it possible to this threshold for the country whole provided the rulers over- their 'lack of political will'.

V

do not disagree with Mitra in king of the population policy with provement in its material and l quality, or with his general tion of the developments of the 947 period, or with his spelling f the requirements for the con- g fall in birth rate. The small efinite decline in birth rate which lineates for the 1970s is a matter mographic verification and the substantial fall in Kerala and in urbanised segments of popula- is also undisputable. What is ble, however, is the easy optimism presentation creates about the .

s reviewer's understanding of the t and the immediate future is somewhat different. The high rates and high birth rates, as is it in Mitra's presentation, belong e cluster of all kinds of deprива- nd backwardness which beset the majority of our population. There ard core here where improve- of the quality of life will not place unless the entire socio- mic and political structure is a 'big push', toppled and re- d by a more equitable and humane ure. In the prevailing conditions a further decline in mortality in this core looks well-nigh impossible, the post-1947 development having reached a plateau whether in nutrition, health or control of diseases and epidemics. And yet one may visualise a decrease in birth rate in this core because of the increasing misery and pauperisation of this lowest section of population, with a stable family life becoming increasingly impossible for them. These are the very sections which were easy targets for sterilisation before and during the phase of 'compulsuasion' and may opt for it again through sheer desperation. (The reviewer has the impression it is already happening.)

What is, however, most untenable is Mitra's unwillingness to face squarely the socio-economic and political situation and its dynamics in clear class terms. This lacuna in his conceptual framework and reasoning gives rise to such anomalies as the argument about the lack of 'political will', the unwarranted optimism about the 1977 population policy of the Janata political set-up or the equally unwarranted defence and eulogies of Jawaharlal Nehru and P C Mahalanobis. Such formulations are untenable because they fly in the face of all the facts and analyses that he himself has so painstakingly mustered in his writings.

For instance, the mixed metaphor 'political will', so dear to social scientists who are critical yet apologetic of State policies, creates the illusion that if only the rulers and others concerned muster enough of this commodity everything would be alright. Can the political will of the rulers ever be different from that of the dominant economic interests which support them and which they represent? It is sad that keen intellects like Mitra, instead of demystifying the many mystifications already surrounding the nature of the State, are adding a new one to the old stock of such catchwords. His attempt to stretch it further by saying that the national political will is "pulled out of shape by the entrenched power structure" and so on, illustrates how our keenest minds weave their own verbal cobwebs to enmesh themselves and the reality.

Again the enthusiasm he displays for the Janata government and its population policy borders on naivety. It is not necessary to comment on it now since the whole edifice whose only basis was Emergency excesses has collapsed except that Mitra was surely not incapable of recognising them as blood-brothers of the previous regime. In trying to defend Nehru and Mahalanobis for their heavy industrialisation model (and rightly so) against their present-day denigrators Mitra goes to the extent of absolving them of all responsibility for the fact that it is their policies which made the Indian monopolists enormously stronger and the lower half of the population even more poor. The suggestion that Nehru was frustrated by his men only begs the question: Were Nehru and Mahalanobis split-intelligences who could devise a correct politico-economic strategy but behave like intellectual morons who could not see the direction towards which its actual implementation was leading?

Thus Mitra who can so tenaciously and relentlessly unravel the intricacies of the situation appears to languish when it comes to drawing hard conclusions. In the process instead of clarifying he often mystifies the issues. Perhaps this is a part of his attitudinal make-up which he has himself described elsewhere as follows: "By upbringing and vocation, who began life as a tiny bolt in the steel frame of the British Empire in the 1940s, I am incapable of radical thought or speech".[3] But even so one hopes that Mitra will bring his great erudition, versatile scholarship, and gentle persuasive style to bear on the many burning problems of the day and lay bare their real socio-economic and socio-political roots. Now that "each one of us in his own prison has at least begun to think of the key" it is obligatory that all of us should adopt in our common search an uncompromisingly clear perspective on the basic issues. Otherwise we may get lost in the confusing mirage of wishful thinking.

Notes

1 See for instance A R Kamat(ed) "Population Problems of India" Central Family Planning Institute, New Delhi, 1969.

2 See, A R Kamat, "Family Planning Programmes: A Reassessment" *EPW*, March 27, 1971, PP 723-7

3 Asok Mitra, 'Population and Economic Development: The Prospect for the Eighties', Concluding Speech at Session III of the Conference on Economic and Demographic Change: Issues for the 1980s, International Union for the Scientific Study of Population, Helsinki, September 1978.

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The Informal Urban Economy and Its Boundaries

Heather Joshi

The purpose of this paper is to examine the definitional foundations of the empirical and theore analyses which use the concept of the Urban Informal Economy. The author discusses in detail the that have to be drawn around the concept.

She first looks at the border with that which is not Urban, then at that which is not Economic, finally with that which is not Formal. The practical difficulties in setting these boundaries and some of implications for analysis of having done so are discussed and a series of reminders are issued of what te to get left out. The author then turns to the motley creature that is nevertheless left inside and make few illustrative references to how theorising, empirical studies and policy-making might take its comple and diversity into account. The conclusions are summarised at the end.

Where appropriate the author has tried to illustrate her arguments with references to empir studies, mostly the two on which she herself has worked — Bombay and Abidjan.

The "Discovery" of the Informal Sector

A CENTRAL concern of development economics has been the extent to which economic growth is keeping pace with demographic growth. There is concern both from the point of view of aggregate production — that the Third World's human resources should be fully utilised; and from the point of view of the distribution of income — that title to a share in what is produced is best ensured by participation in its production. The literature on surplus labour in the rural sector has all along appealed to some sort of idea of "disguised unemployment". In contradistinction, it used to be assumed that any labour surplus in the towns, where the wage labour mode of employment was assumed to dominate, would be "open" unemployment — i e, members of the labour force without an employer and without work who were actively seeking work from an employer. This approach has been largely abandoned — it was difficult to produce rigorous criteria for open unemployment or apply them at all frequently in countries with no system of unemployment insurance or systematic registration.[1] Worse still, for many manifestly labour surplus countries, those estimates of unemployment which were made by censuses and household surveys were low. Measured urban labour-force unemployment rates in India in the sixties, for example, were seldom above 4 per cent. The search for surplus labour in cities switched from open unemployment to the "Informal Sector".[2] Many studies of particular urban areas, including those on which I worked, have played down open unemployment and have concentrated on the workforce outside the "Formal Sector" as harbouring "disguised unemployment" and the "working poor". Although traditional activities and their contrast with the modern have had a long history of attention from economists, the labelling of the "Informal Sector" was established by the team from the Institute of Development Studies in Sussex who joined the ILO Mission to Kenya. It has been much used since.[3]

The Formal Sector was identified as combining some or all of a family of characteristics: large scale: capital intensity; Western advanced technology; public or corporate ownership, possibly multinational; regulated and protected markets for labour and output; barriers to entry; formal contracts of employment and the requirement of formal educational qualifications from its workers. The Informal Sector was identified as having few if any of these characteristics.

The standard procedure in empirical work is to estimate the size of the urban informal sector by calculating it as a residual of those engaged in economic activity in an urban area excluding those who can be identified as working in the "Formal" Sector. I will examine the boundaries of the concept and then see what it is that gets left inside.

The Urban Boundary

It is clear that we are not talking about "the rural sector". Cultivation of land, almost by definition t place outside population conce tions, and normally involves a se modes of production to which the labour market approach is inap priate, as some of them do not inv wage labour at all. Attention primarily focused on secondary tertiary industries which are far m likely to involve urban settleme When we are talking about urban e nomic activity however, in practice are talking about places which designated as urban in a given co try's municipal government arran ments or census procedures. There generally some criterion of populati size or density. In the course of ti the places which are designated urban changes as existing towns tend their boundaries (a process wh may not be simultaneously *de fa* and *de jure*, and which may invo the annexation to a big town of exi ing towns or villages), as villages reclassified as towns and occasiona as towns are declassified. As conve tions of what constitutes a small to may vary, and as conditions in th vary enormously within a given coun and may differ considerably fr metropolitan cities, many of the exi ing studies focus on individual cities and their evolution in time.[5]

Having picked one's city, the p blems associated with the geographi dimension are not over. A worke residence and his workplace may n be at the same place or within the sa boundaries. Comparing resident wo kers with those reported as worki in establishments in the same area o

allow for net flows of commu- cross boundaries. Ideally one be examining the economy of a "journey-to-work-area". This ttempts to define the area within graphical boundary which con- oth the residences and the work- of all the economically active of the area. It is seldom possi- draw such a line which encloses r cent of the workplaces of the nts, or 100 per cent of the resi- of the workers and even so the hus enclosed usually turns out ver distances far greater than workers would be prepared to

hermore such boundaries do not arily coincide with municipal aries. Most studies are bedevil- the attempt to get data on an priate metropolitan area. For ce in our work on Bombay, my initial conclusion about the slow h of manufacturing employment the city during the sixties was ly modified by examination of had been going on just outside city boundary whither land-use ing was directing new factory ng. Someone who read an early which contained little informa- on these developments described 'Hamlet without the Prince of lark'![6]

ere is another more fundamental em about the workplace/resi- overlap. Neither residence nor place need be unique. An indivi- may not actually live in one sole . He may be itinerant, or at least ntially mobile and his (extended) y may have homes in more than place. Itinerant or "floating mig- elements in a city's workforce notoriously difficult to enumerate, ugh they are often present, at seasonally, in many Third World s. Their existence may be viewed symptom of imbalance (particu- in the supply of accommodation) disorderliness, or else as a feature exibility and equilibration.[7]

milarly a workplace may not be ie. Work is not necessarily per- ed at one spot, and those who around to work do not neces- stay within the confines of the cular city under observation — lling salesman, itinerant perfor- , railway guards, national politi- etc perform their work all over place — to which area's economic ity does it belong? This problem ually circumvented in the case of oyees by locating their activity by the address of their employer. But when using workplace data one must be aware of the possibility that organisations whose headquaters are in a city may report their establishment as including employees who are in fact working and living far outside the city. The returns for railway employment in Bombay for example, include employees working all along the sector of the network which is administered from Bombay.

From a more dynamic point of view, one should also note that a city's boundaries wheresoever they may lie, might always be crossed by more people than those actually crossing them. The potential field of labour supply to a city's employers certainly extends beyond those currently residing within its boundaries. The countryside and small towns around a big city may contain many potential as well as actual commuters. Similarly, the hinterland may contain potential migrants waiting outside for a suitable job. Even where there are already more potential workers in the city than there are employment opportunities, there is evidence that many jobs are filled by people who were hitherto outside — a substantial proportion of migrants arrive in town on appointment, or transfer, to a specific job.[8] In the case of Abidjan the hinterland whose residents compete for employment with the city's own residents extends across most of the countries of West Africa, and to Europe if one counts the part of the labour market which is heavily dependent on expatriates.

These points, which may seem trivially pedantic, remind us that the consideration of a city in isolation from the wider economies of which it is a part involves rather brutal surgery. Even from the point of view of flows of labour, let alone flows of information commodities and capital, cities are not sealed enclaves. In carrying out and interpreting city studies let us remember that the arteries exist and, if we must, freeze them, but not sever them.

Borders of Economic Activity

Taking the geographical setting as given, the "Informal Sector" is defined as those engaged in economic activity who are not identifiably performing it for the "Formal Sector". The ambiguities about whether somebody should or should not be described as a worker seldom arise in the case of someone who is in regular wage employment with a Formal Sector enterprise.[9] But most of the problems involved in the designation of somebody as a worker or a non-worker are concentrated on the people who would be classified as belonging to the Informal Sector if they were classified as workers. An important and a neglected boundary of the urban Informal Sector is the boundary of "economic activity" itself. There are two elements of this boundary

(a) what activities are regarded as economic work;
(b) how much time has to be spent doing them for the person to be counted as a worker.[10]

In cases of wage employment in industry, or self employment in the production of commodities for sale, there is no ambiguity. However there is considerable variation in the extent to which family members participate in family-based enterprise, and in the extent to which they would be enumerated as "unpaid family workers".

Similarly there is tremendous variation in social and statistical practice with regard to the activities of housewives. Wherever there is a monetary transaction for the provision by someone outside the recipients' family, of domestic service, laundry, cooking or childcare, those who get paid get counted as workers. People performing similar tasks for members of their own family are usually not counted.

The other major category of activities whose economic nature is dubious are those where money changes hands illegally or in what is regarded as transfer payments. Beggars, gamblers, thieves, illegal distillers, prostitutes and smugglers are usually not counted as "workers". However, at least in the last three cases it is arguable that the payment involved is not just a transfer payment. Such "unrecognised" activities may actually form a flourishing and dynamic part of the informal economy. To illustrate, the numbers engaged in the "prostitution industry" are seldom known with any accuracy, and some of the professionals may be enumerated by a census as something else like "bar girls", but rough calculations based on police estimates suggested that in both Bombay and Abidjan prostitutes could account for an extra 10-20 per cent of the conventionally defined female labour force. Nevertheless we should not forget that, especially in tightly regulated and poorly policied economies, there may be plenty of unregistered or illegal transactions being performed by people with jobs inside the Formal Sector — bureaucrats taking bribes for instance.

Beside the problems of what is work and what is non-work, there is the difficulty of deciding how much of it a given person must perform, before he/she is described as a worker. These issues appear in the much-trodden ground of the definition of unemployment. In conditions where labour force attachment is not clear and where work is not necessarily full-time and continuous, arbitrary criteria could put a given person into any one of the following boxes: worker, unemployed, not economically active. In many studies, for example those using the Census of India, non-workers include the elusive unemployed, but it is not just for this reason that the line between worker and non-worker is difficult to draw. The Indian Census in 1971 changed its definition of a worker from someone who at some time during a given reference period performed some "economic activity" to someone whose "main" activity was economic. As well as its somewhat frustrating abandonment of the attempt to enumerate the openly unemployed, enormous numbers of workers, especially women, were apparently declassified. As a result in rural India there were apparently fewer workers in 1971 than there had been in 1961! In the urban sector the sort of activities which would have been declassified would mostly have been outside the Formal Sector.

These definitional boundaries of economic activity and therefore of the informal sector affect estimates of female participation especially. This should lead us to be especially wary of the estimates and comparisons of the Informal Sector. Although females are in a minority in the populations of most Third World cities, and especially of their labour forces, it seems to be generally true that females who are counted as workers are less likely than males to be in the Formal Sector.[11]

When we stop to think about the people and the activities that are excluded not only from the Urban Formal Sector but from the Informal Sector, it becomes clear that, at the very least we should be considering the dynamic relationships between three sectors, not two — the Formal, the Informal and the Domestic. As development, urbanisation and labour specialisation proceed there are real and important changes in the division of tasks between these Sectors. Monetisation and urbanisation displace work like construction, food processing and pottery from domestic to "economic" activity — either formal or informal. Curiously, the monetisation of domestic service itself, which is a big part of urban informal activity, seems to be a characteristic of less advanced economies and may disappear if urban development narrows income disparities. "Informal" economic activity faces competition not only with the products of the formal sector and of foreign economies, but also with services which might be provided domestically. The washerman may have to compete with people washing their own drip-dry shirts or having the washing done by wives, as well as with steam laundries.

Education is a service whose provision may sometimes by-pass the Informal Sector completely. Under a pattern where the children of urban workers were brought up in the villages in which their mothers stayed behind, most of their supervision and preparation for life came from their families. Especially as whole families move to towns (or are formed there) formal education provided by employees of the formal sector takes over, potentially releasing mothers for other economic functions, but effectively robbing them of a role.

My last example of these interactions is that where there is not enough work in the economic sphere, women retreat into the domestic sphere, leaving the measured labour force, though they really ought to be counted in the balance sheet of labour supply and employment. As Ester Boserup points out, it is not desirable to encourage such a retreat, on the pretext that it preserves jobs for men, for it tends to coincide with developments which also mean that there is less that can usefully be done in the domestic sphere. Women will not only tend to have more children (whose chances of survival are also improving) if they withdraw from the urban economy, but will themselves add to its dependency burden. Their personal autonomy may also be eroded as they become increasingly economically dependent on men.

Border with Formal Sector

I do not propose to give an exhaustive analysis of all the definitions of the Formal Sector that have been proposed and applied, nor to list all its near synonyms. Most of the works cited have discussed the distinction between formal and informal, and these discussions have been reviewed in Mazumdar's IBRD Workin
I imagine this particular gr
familiar. The Formal Sector i
those social phenomena whi
easier to recognise than to de

Employment in the Formal
involves a wage (or salary) con
employment with an employe
has a continuous identity
time, many other employee
usually, substantial fixed and f
capital. The employer is either
vate capitalist or the governme
is usually engaged in producin
vanced" or "modern" goods or
ces, with more "advanced" tech
and more equipment per worke
elsewhere in the economy. The
force is required to have skills an
cipline not required in smaller
producing with a simpler, (p
pre-literate) technology. Contrac
employment are formal and
permanent. Management is bure
tic and working conditions are
nised. Such technical conditio
production permit both the form
of labour unions and government
tection and regulation of employ
Hence some studies have referre
the employment in such "for
establishments as "organised",
tected" or "registered".[12]

It is also often claimed that
Formal Sector creates a segreg
labour market which tends to co
the benefits of capital accumulatio
the limited numbers who get its j
This may be through institutional
political effects on wages, the op
tion of exclusive internal labour m
kets, perhaps discrimination aga
women or certain ethnic groups,
the privileged access of the For
producers to credit, technical kn
how and government influence.

In practice working definitions
the Formal Sector cover the emplo
of the public sector and of pri
enterprises which are within the s
of certain legislation relating to
ployment. For Bombay and Abi
we took the employers reporting
ployment to the employment serv
as a criterion effectively of size
employment, as were most of
criteria used in the other studies q
ed in Mazumdar (1975). To the
ployees of "large" establishments
usually added employers of such
ployees and members of the lib
professions who often work in
small units, or are self-employed,
who by virtue of their training
technology are part of the "For
or "Modern" Economy.

RE TABLE 1 : THE WORK FORCE IN BOMBAY, 1961—BY MODE OF EMPLOYMENT

Employment	Number of Workers '000	Females as Per Cent of Col (1)	Col 1 as Per Cent of Total Work Force
es			
ised Sector	837.6	6.4	49.7
hold Industry	6.8	31.5	.4
ltural Labour	1.9	40.7	.1
	444.9	11.6	26.4
r*	96.1	3.5	5.7
orker*	242.3	10.2	14.4
Worker*	36.0	10.7	2.1
ld Industry ployee)	16.3	27.5	1.0
or	4.8	39.2	.3
Workforce	1,686.7	8.6	100.0

Census of India 1961, vol X Maharashtra, pt X (1—B) and Joshi and Joshi "Surplus Labour and the City".
*Non-Household Industry.
Definitions : Household Industry is carried out at the family home, not separate premises and employs sufficently few outside employees to fall outside the scope of the Factory Act.
The Organised Sector—The Public Sector and private sector establishments employing more than 25.

worth noting that much em- t beyond the boundary of 's "Organised" Sector was lly "protected" by Minimum egislation, and technically "re- " by the Shops and Establish- Act. The Indian Minimum Act was enacted to cover em- nts where "sweated labour is nt or there is a big chance of tion of labour", i e, those which ot easily unionised (a very coverage to that of British Councils). Employment covered legislation was mostly in small hments, such as rice and oil anneries, potteries, small facto- king plastic and rubber objects, *dis* (indigenous cigarettes); or employment in construction, ge, stone-breaking or as film The reports of the Committees were appointed from time to implement this legislation did tempt to set wages at the level ing in the high wage sector. mostly seemed to be publishing air wage" in the sense of that the market would bear, and was , more like Walrasian auctio- han fairy godmothers. We found eports a useful source of infor- on the sort of wages which eing paid outside the larger shments in which unions, em- and government negotiated that were generally much [13] In French-speaking West by contrast, the Minimum (SMIG) is typically applicable within the Formal Sector, which ninated by foreign firms

The Indian Shops and Establishments Act requires some sort of registration by small commercial enterprises which by no means entail the sort of privileges for their employees which we were trying to isolate. Sethuraman's study of Jakarta and Lubell's of Calcutta also rejected the criterion of mere registration as being significant. Even street hawkers in Bombay are technically liable to be licensed and registered. This by no means puts them in the Formal Sector.

Dichotomisation of urban economic activities into the dual Formal/Informal framework is strictly speaking justified only when the several dividing lines between large-scale and small-scale, high productivity and low productivity, foreign and indigenous, high-wage and low-wage more or less coincide, and also when they mark some discontinuity which does not have to be arbitrarily drawn across a continuum. However when there are wide, more or less correlated ranges of values in these dimensions, it does seem sensible to simplify by imposing the dichotomy, so that we can attempt to take these differences into account. Nevertheless, let us not forget, particularly when making comparisons between places or across time that arbitrary simplification has been performed.

Another conceptual difficulty with assigning urban workers to the Formal or the Non-Formal is that the categories are not necessarily mutually exclusive. At a moment of time a worker may have activity both inside and outside the Formal Sector, certainly over the course of a year or a lifetime he may do both. Furthermore from the point of view of the household as a basic economic unit, members may be simultaneously participating in both sectors.

Our normal analysis does not really allow for the possibility that people may work "part-time" for more than one employer, or in more than one sector. Most workers participate to some extent in the Domestic sector, certainly nearly all women workers, and it is possible that double-jobbing could put someone simultaneously in both Formal and Non-Formal economic sectors. Dipak Mazumdar and Kalmann Schaefer have drawn attention to the possibility that the Formal Sector may employ casual labour on a non-formalised basis to top up its normal workforce. Analysts have also pointed to the possibility that "informal workers" graduate into the formal sector after a period of job search while performing informal work.[14]

Mazumdar has also suggested that the under-representation of prime-age males among the Informal Workforce means that it largely employs "secondary workers" while the Formal Sector employs family heads, "primary workers". Although such a disposition is theoretically possible, it seems highly unlikely to me that it obtains. As noted above, males are in the majority in most Third World cities and their labour forces. In Latin America, whence Mazumdar was drawing his evidence, the urban workforce has closer to even numbers of the two sexes, since substantial numbers of unmarried famales migrate from rural areas to cities, unlike Africa and Asia, where rural-urban migration tends to be masculine. Thus, in the Old World, over-representation of females in the Informal sector does not mean they are a majority of its workers. In Bombay, for example, in 1961, 11 per cent of Non-Organised workers were female as against 6 per cent of Organised Sector employees (see Annuxure 1). Even in Latin America, where females may indeed be in the majority of Informal workers, it does not follow that most Informal workers share a household budget with Formal sector workers. Many women workers (especially in Latin America) live singly, or are household heads themselves. Domestic servants, male or female, may be among the lucky ones who live in their employer's household, but this does not exactly make

ANNEXURE TABLE 2 : ESTIMATED EMPLOYMENT IN THE ORGANISED AND UNORGANISED SECTORS BY MAJOR INDUSTRY DIVISIONS AND SELECTED INDUSTRIES, GREATER BOMBAY, 1961

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Census Code	Industry	Organised Employees	Unorganised Sector			Employees	Total Work Force
			Total	Employees	Others		
		(1)	(2)	(3)	(4)	(5)	(6)
0 & 1	Primary Production	0.5	30.1	15.9	14.2	1.4	32.0
2 & 3	Manufacturing of which :	466.7	194.3	122.1	72.2	27.5	688.5
20 & 21	Food & Beverages	14.5	10.4	6.5	3.9	1.9	
22	Tobacco	2.3	7.9	2.2	5.6	0.6	
23.27	Textiles	267.7	27.6	7.7	19.9	6.3	
30	Printing	14.7	8.0	6.8	1.2	2.0	
32	Petroleum	11.2	5.4	5.0	0.4	0.4	
33	Chemicals	29.4	11.5	9.6	1.9	2.4	
34-35	Non-Metalic Minerals	13.2	9.1	7.3	1.8	0.5	
36-38	Metals & Engineering	95.5	41.0	31.6	9.5	7.8	
28-29 31-39	Miscellaneous	18.2	73.3	45.4	27.9	5.8	
4 & 5	Construction and Utilities	57.3	14.2	2.3	11.8	2.5	73.9
6	Trade and Commerce of which:	56.0	200.3	88.0	112.3	47.5	303.8
60-63	Wholesale Trade	10.8	18.8	7.7	11.1	8.5	
64-68	Retail Trade	5.0	173.8	80.3	93.6	23.6	
69	Finance & Commerce	34.3	7.7	0	7.7	5.4	
7	Transport and Communications	101.20	85.5	44.6	40.8	2.6	189.3
8	Services of which:	154.5	226.5	170.7	55.8	14.7	395.7
80	Public Administration	81.3	0	0	0	0	
81	Education	31.0	1.2	0.1	1.1	0.7	
82	Medicine	9.5	11.4	8.5	2.9	1.8	
88	Personal Services	8.2	174.5	142.4	32.1	9.4	
83-87 & 89	Other Services	23.9	39.4	19.7	19.7	2.8	
9	Unclassified	1.3	2.0	1.3	0.7	0.1	3.5
	Total	837.6	752.3	444.9	307.4	96.0	1686.7

Notes :

Column 1 : Employees in the Public Sector and Private Sector establishments employing more than 25, including identifiable military personnel and excluding identifiable non-residents.
Column 2 : Column 3 and Column 4.
Column 3 : Difference between 'Employees in Non-Household Industry' given by the Census and Column 1.
Column 4 : Single workers, family workers, workers in Household Industry, Cultivators and Agricultural Labourers as reported in the Census.
Column 5 : Employers as reported by the Census.
Column 6 : Total workers reported by the Census. Sum of Columns 1, 2 and 5.

Sources : Census of India 1961, vol. pt X (1-B), Greater Bombay Census Tables : Primary Census Abstract, and Table B-IV, pts A, B and C.

Directorate of Employment, Bombay, Quarterly Returns, December 1961.

See Appendix III.1 for a description of adjustments which had to be made to reconcile the two sources. Notes on individual rows in the Table follow general remarks.

This table is from Heather Joshi and Vijay Joshi, "Surplus Labour and the City", OUP, Delhi, 1976.

them dependants of their employer nor does it usually absolve them of obligations to transfer resources to their own family members living elsewhere. One reason why women are over-represented in the Informal sector is that they are more likely to take part in family enterprise than wage employment. In their case, the family head is also operating outside the Formal Sector.

It is true that the very young, the very old and the female are not very likely to be hired by a Formal Sector which forbids employment of juveniles, lays down costly conditions for the employment of women and requires levels of formal training which neither the very old nor young are likely to have. not mean that prime-age i with family responsibilities found amongst the Informa nor that low earners are all of non-poor households. Oft urban earning opportunities sufficient for a worker to su pendants the worker postpo riage or keeps his family in lage. (In West Africa thi strongly to the unskilled labour of the *Formal* Sector, the Informal sector.) That sector workers are less like formal sector workers to have dants in the city does not m they themselves are depend Formal Sector workers. In Abidjan it seemed that many jobless Ivorian migrants beca pendants of relatives with jobs bureaucracy rather than take u mal sector jobs.

INSIDE THE INFORMAL SECT

My major criticism of atte delineate the Formal Sector is n this is a feature of no intrinsi est, but that attempts to und and prevent poverty amongst workers should not stop at the where we have excluded the urban, the non-economic and th mal. What we have left is by tion the "Informal sector", b only common characteristics s identified are the negative ones being any of the things we've isn't. The first characteristic of mal activity that is often me in practice is that we know v tle about it directly. The pro elimination leaves us with a geneous bunch of activities. T formal sector" comprises a wide of modes of production: own-a workers, unpaid family w household industries, "home wo domestic servants, employees o unregulated establishments, wage labour employed on a day basis by ephemeral emplo firmly established ones, includi mal Sector enterprises. The k production ("industries") in these workers are engaged a multifarious. As an illustrati Tables appended show what picture emerged of the econ Bombay in 1961 as we attem draw the demarcation line o nised Sector activity across t sus.

Further research and policy p

to disaggregate the Informal identify elements within it likely to be a source of fur-elopment, which are likely to further study and encourage-e aggregative set of research to which I have been refer-tended to indentify the In-ector as *Terra Incognita;* we its existence without map-interior.[15] There is a second micro of research projects cannot pretend to review even which explore detailed the territory. T S Papola and ande, for example, for looking of the very different sectors asual labour market in Bom-hris Gerry has interviewed mmodity producers in Dakar, giving fascinating insights in-nput-output linkages with the Sector such as sub-contracting cling of the waste products of industry.[17]

of the more theoretical work in talking of the Informal Sec-it were all one labour market. the few things we do know is that we have assigned to modes of production other ge labour, as well as wage or small or impermanent em-Many of the people involved 'Informal Sector" are not sell-our. What is being sold are lities (including services) pro-by single workers or family The ILO Kenya Report cited the characteristics of informal : (a) ease of entry; (b) unregu-nd competitive markets and ily ownership of enterprises. characteristics may not be en-ompatible. If you do not hap-belong to a family which is g out a family enterprise, it ot be very easy to enter that ion. Markets for commodities t be formally regulated by gov-t edict, but "traditional" mar-e often extremely orderly where enerally recognised that a cer-an or ethnic group is allowed e in certain goods at certain Rules of the game are enfor-custom, or, in West Africa for , by certain voluntary associa-The division of labour in India tasks in the "traditional" eco-nd the "domestic" sphere is wn in a fairly orderly and rigid caste rules and other customs. be that these create more rs to entry" than the simple s allows. This would seem to be a fruitful area for further co-operation betwen economists and anthropologists in the agenda for further exploration of the territory.

In our work on Bombay, the fact that those engaged in family enterprise were more likely to be natives of the city than other workers also suggested a tentative policy conclusion.[20] Policies are required which give selective assistance to the Urban Informal Sector without calling forth a new influx of migrants, defeating the object of the exercise. We suggested precisely helping the small family enterprises in, say, handicrafts or fishing, which did not seem in the past to have admitted migrant newcomers.

Once it is decided that an activity is not in the "Formal Sector" we should not automatically assume that it has the obverse of all the characteristics attributed to Formal activity nor that it is essentially similar to all the other activities we tend to consign to this rag bag. Policies to assist employment outside the Formal sector ought likewise to be selective.

Summary of Conclusions

The ambiguities of drawing the geographical borders of an urban area remind one of the organic linkages of a city's economy and population with the world beyond the borders. It is fairly well accepted that the study of migration is an essential part of urban studies. Patterns of short-term movement and commuting may be worth more investigation.

The ambiguous borders of economic activity reveal that the activity of women may be a neglected element in the analysis of urban growth. The changing share in output of the Domestic Sector ought to be monitored as well as the changing share of the Formal Sector in conventionally measured employment. The possibility that the pressure of numbers is keeping down women's participation in the urban economy also ought to be monitored and forestalled.

Some of the more interesting questions about the Formal/Informal borderline concern the degree of overlap between the two sectors. Do individuals move easily between them? Do families have members in both sectors? I welcome attempts to research the first question further and cite reasons for doubts about the second. It seems unlikely that most informal workers are attached to a breadwinner with a Formal Sector job. I also suggest a hypothesis about segregation of workers within the Informal Sector, along caste or ethnic lines, on which economists and anthropologists might fruitfully co-operate.

The most glaringly obvious research need is for general surveys of urban incomes and labour, such as the Indian NSS, in which the employees of the Formal Sector are identified. Then we can measure the income disparity we know exists among earners outside the Formal Sector and relate it to Formal Sector incomes, and verify the extent to which the "Informal Sector" harbours the "working poor". I would hope that a workable, locally relevant, but internationally comparable definition of Formal employment could be agreed and recommended for use in censuses and sample surveys.

While this paper has focused largely on research issues, it should not be forgotten that the object of such research is to improve the decisions of policy makers. Why we need to know more about the interior of the urban informal sector is not necessarily so that it can be given more assistance. We need to know more in order to enable better judgment of whether it contains viable and deserving candidates for promotion compared with the claims of the Formal, and, especially, the rural sector.

Notes

1 Even in countries with unemployment insurance and a well developed system of registration of claimants, the numbers counted as registered unemployed do not necessarily tally with those who would be counted as seeking work in a census or survey. In the United Kingdom for example many married women and others who have no title to unemployment benefit have little incentive to register as unemployed when they have lost a job and would like another one. The criterion of being out of work but seeking and available for work, which is approximately a definition of open unemployment, is anyway inexact.

2 See "The Employment Problem in Developing Countries: A Review of the Evidence" David Turham assisted by Ingeles Jaeger, OECD Paris 1970. This work foreshadowed the diversion of attention to the "Informal Sector".

3 ILO Report on Kenya "Employment Incomes and Equality" (Geneva 1972); Dipak Mazumdar "The Urban Informal Sector", IBRD Bank Staff Working Paper No 211, July 1975, reviews various studies including Vijay and Heather Joshi, "Surplus Labour and the City: A Study of Bombay", OUP Delhi, 1976; the ILO's

World Employment Programme has resulted in studies of various Third World Cities which have made use of the idea of the Informal Sector, as have other ILO World Employment Programme country reports.

4 It should nevertheless be noted any empirical study of the residents of a given area around which a city boundary has been drawn may well encompass some rural activities. Any land which has not yet been built-up will still be cultivated, fishing on a village scale may continue while an international port grows up around it. Livestock keeping, which is anyway not necessarily a land-intensive activity may flourish in the heart of densely populated cities, and should not be excluded *ex hypothesi* from urban economic activity. It is however sometimes convenient to exclude the urban residents who are enumerated as cultivators or agricultural labourers from estimates of urban economic activity as the chances of their work being encompassed by the "Formal Sector" are zero. For example 11 per cent of the workers enumerated in urban areas on the Census of India 1971 were Cultivators or Agricultural (ie landless) Labourers. In Bombay's workforce they were 0.3 per cent. Conversely, it should also be noted that some activities which would be classified as "Formal", because they involve regulated and regular wage employment, take place in rural areas and are performed by rural residents — some public administration, plantations and mines, especially those owned by multinational corporations, and forestry, for example.

5 For example Joshi and Joshi *op cit*, and the ILO urbanisation monographs: Harold Lubell, "Calcutta, Urban Development and Employment Prospects" published 1974; Harold Lubell, Heather Joshi and Jean Mouly "Abidjan: Urban Development and Employment in the Ivory Coast" (1976); Kalmann Schaefer, "Sao Paulo: Urban Development and Employment" (1976); S V Sethuraman "Jakarta: Urbanisation and Employment" (1976).

6 Joshi and Joshi, *op cit*, p 57-61.

7 See Lubell, Joshi and Mouly, *op cit*, p 44, Joshi and Joshi, *op cit*, p 135.

8 Joshi and Joshi, p 132.

9 In "Employment, Technology and Development" Clarendon, Oxford 1975, Amartya Sen suggested that economic work has three characteristics. It entitles its performer to remuneration; it contributes to output; it is recognised by the performer and by others as "work" and as "worthwhile". According to the first and last of these criteria, at least, — getting an income and being treated as a worker — the employee of a "Formal Sector" enterprise is a worker. According to the production criterion he is almost certainly "employed". If his employer were engaged in some activity not regarded as productive he would not be subject to the regulatory legislation which in practice enables us to identify a Formal establishment. It is conceivable that the individual employee might not be making a positive marginal contribution to output. Even allegedly profit maximising capitalist employers are known to permit "over-manning", at least at certain points of a trade cycle. Governments are often open to the accusation of employing more people than necessary, especially in administration where output and efficiency is difficult to measure.

10 Sen *(loc cit)* also mentions an additional problem in the measurement of employment. Once we have a head count of workers do we give them all an equal weight in aggregating the total labour input that they are providing to the economy? There is a whole range of factors — hours of work, intensity of effort, skill which might ideally be good reasons for giving different individual workers different weights. I am, however, concentrating on the unweighted procedure where the population has to be forced into the worker/non-worker dichotomy.

11 There is evidence from many countries that women workers are under-represented in "modern" or "formal" employment in Ester Boserup's "Woman's Role in Economic Development" (George Allen and Unwin, London 1970). It seems to be true of many Indian cities as well as Bombay (see Heather Joshi, "The Prospects and the Case for the Employment of Women in Indian Cities", *Economic and Political Weekly*, Annual Number, February 1976).

12 In our study of Bombay (Joshi *op cit)* we used the expression Organised when referring to establishments — public sector and private with more than 25 employees — in which the Directorate of Employment and Training recorded employment every quarter, because that is how they were referred to by t torate. We dropped letter when referring to of sector more generall

13 See Joshi, and Joshi, *op* pter IV, especially the

14 Mazumdar (IBRD Work 211) cities in particular labour force which star the Bombay cotton mill this is an excellent histo ple, I suspect that at th this no longer forms stepping stone into Form employment in the city. ton mills in Bombay it been contracting employ formal educational qua may be demanded ever mills. The current IBRD ed studies of the Bomba market will doubtless be investigate this. Formal n job search processes are ed in: Paul Collier, "Lab bility and Labour Utilisa Developing Countries", *Bulletin of Economics an tics*, vol 37. No 3, Augu Peter Fallon, "Excess Supply in Urban India", London School of Ec

15 Or we made sketch maps Jean Mouly's chapter on formal Sector in the Ivor in Joshi, Lubell and Mouly

16 T S Papola, L Deshpande, University/IBRD, Bombay Market Project, The Casu ker. Preliminary report, script, Bombay 1975.

17 Chris Gerry, "Petty Produc the Urban Economy: A Cas of Dakar" ILO WEP Urba and Employment Researc gramme Working Paper No

18 See Claude Meillassoux *(ed Development of Indigenous and Markets in West* OUP, for International Institute, Oxford, 1971, es J L Amselle, 'Parente et co chez les Kooroko'; and Meillassoux *Urbanization can Community Voluntary tions in Bamako*, Univer Washington Press Seattle, 1

19 See Kenneth Little, *West Urbanization: A Study of V Associations in Social* Cambridge University Pres especialy the section on trad ciations and craft guilds.

20 See Joshi and Joshi, *op cit*

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Unequal Exchange of Errors

V M Dandekar

TLY, there has been an interest-hange between Arun Bose and au on the possibility of unequal e in international trade [1, 2, au, after arguing out "Emma-ttempt to demonstrate the oc- of unequal exchange *even* he conditions of perfect com-" as unsuccessful, presents what a 'Fresh' Approach' to demon-"at the theoretical plane", the ty of unequal exchange in inter- trade [5, p 55]. Taking two s, 'an advanced country' and ird World country' as Sau refers n, trading two commodities x the Third World country exports mports y), Sau assumes balanced d chooses units of measurement at the unit prices of x and y ual and, by implication, the es of the two commodities expressed in these units, are ual. Sau says that he "chose the hat way only to simplify the s" [2]. Bose contends that it is "harmless simplification", that in is a "highly restrictive assump-nd that the result is "nothing than a curiosum, or a freakish case, based on highly restrictive tions, which cannot be dropped t killing the result" [3]. On this point, Bose is wrong and Sau t. But on other more crucial Sau is wrong. Bose shares some i's errors and does not notice There is a typographical error book which Sau corrects in his [2] and in a footnote adds that ror "escaped Bose's kind notice". not aware that there are other of his, not typographical but , which also have escaped Bose's otice. Bose has his own errors ntribute which Sau in his and kindness does not notice. in his Rejoinder to Sau's [2] says: All "he [Sau] does in eply is to make mistakes and to side-track some issues, in order er up his failure. This may make though hopefully not many, curi-aders wonder whether it is worth while to try to understand the involved" [3]. The latest in the ge is Sau Reply-II [4]. Before ends his Rejoinder-II, the curious s might want to know a third of the issues involved in this curious exchange.

begin with, we may note the un-otation which both Sau and Bose use because, it seems, that is indicative of the level of algebra employed in the debate. In his book [5, p 56] Sau takes the commodity x to use "an amount a of itself and b of labour, per unit of output" while "every unit of y requires amount of $(a + \triangle a)$ of itself and $(b - \triangle b)$ of labour as input". In usual mathematical usage $\triangle$'s are positive so that $(a + \triangle a) > a$ and $(b - \triangle b) < b$. Sau does not explain why y should require more material input and less labour input compared to x. His demonstration of unequal exchange also does not need any such relation. Bose in his first Note [1] retains the notation for labour input and explicitly states that $(b - \triangle b) < b$ and justifies it on the ground that y (iron) is less 'labour-intensive' than x (corn). This was pardonable in the first instance when units of x and y were so chosen as to make their prices equal. But both Sau and Bose continue to use the same notation b and $(b - \triangle b)$ for labour inputs of x and y even when the units are not so chosen as to make the prices equal. Even if x and y are corn and iron respectively, if the two are measured in arbitrary units, there is no reason why the labour input should be smaller per unit of iron than per unit of corn.

As to material inputs, in an effort to improve upon Sau's notation, Bose uses a_x and $(a_y + \triangle a_y)$ for inputs of x and y respectively. In normal mathematical usage, one does not use $(a_y + \triangle a_y)$ unless one uses a_y in the first instance. Bose also notes, for once correctly, that "a_x may be greater than, less than, or equal to $(a_y + \triangle a_y)$" [1]. Sau should object to this if he meant $(a + \triangle a) > a$. He does not even comment. In his Reply-II [4] Sau accepts Bose's notation and, for typographical convenience, simplifies it; he adopts a and a' for material and b and b' for labour inputs of x and y respectively. An appropriate and, from the point of view of the reader, a more explicit notation would be a_x and a_y for material and b_x and b_y for labour inputs of x and y respectively without any explicit or implicit equality-inequality relation between them. In the following, we shall use this notation hoping that it will not be too inconvenient typographically.

Let us now examine Bose's criticism of Sau. "To keep the focus on unequal exchange only", Sau assumes "a balance in trade" [5, p 56]. Hence, $Xp_x = Yp$ where X and Y are the quantities of the two commodities traded. Secondly, Sau chooses units of measurement of x and y such that $p_x = p_y$ and by implication $X = Y$. Bose objects to the assumption of 'balanced trade' on grounds that trade between advanced and Third World countries is almost never balanced and hence "a demonstration which depends on this assumption is useless" [3]. Sau in his Reply-II has adequately answered this criticism. As he says, "the concept of unequal exchange is defined in terms of transactions which are *equivalent* by the standard of market prices ... and it is shown that they are *not* equivalent in respect of labour-contents. It does *not* assume that the trade between advanced countries and Third World countries *is* always balanced, if only because there is no need for such an assumption" [4]. But this may not satisfy Bose. Bose's difficulty is much deeper.

For Bose, the assumption of 'balanced trade' and the choice of units so as to make $p_x = p_y$ are linked and he seems to think that if the units are chosen to make $p_x = p_y$, trade is necessarily unbalanced. He argues: "Oddly enough, his [Sau's] assumption $p_x = p_y$ by itself is not as absurd as it may seem... [But], if we manipulate the physical units to enforce the assumption $p_x = p_y$, we cannot *at the same time* manipulate the quantities entering into trade to enforce the assumption $X : Y = 1 : 1$, which ... must necessarily be linked with it to justify the identity $Xp_x = Yp_y$. In other words, if we make $p_x = p_y$ by manipulation of physical units, we *can only have* $Xp_x \neq Yp_y$ or unbalanced trade [1, latter emphasis added]. The argument amounts to saying: If trade is balanced so that $Xp_x = Yp_y$, then we cannot choose the physical units so as to make $p_x = p_y$; conversely, if we choose the physical units so as to make $p_x = p_y$, then we cannot have $Xp_x = Yp_y$ and hence the trade is necessarily unbalanced. If Bose sees this, he will see the absurdity of it all.

In his Reply [2], Sau shows that his "conclusion is not at all affected by the choice of units". Using the notation we have proposed, his steps are as follows:

Balance trade means $Xp_x = Yp_y$ ... (1)

where $p_x = \dfrac{b_x w}{1 - a_x (1 + r)}$ ... (2a)

and $$p_y = \frac{b_y\, kw}{1 - a_y(1 + r)} \quad \ldots (2b)$$

where w and kw are the money wage rates in the two countries and $k > 1$. From (1), (2a) and (2b) follows:

$$\frac{b_x w X}{1-a_x\ (1+r)} = \frac{b_y kw Y}{1-a_y\ (1+r)} \quad \ldots\ldots (3)$$

Since $k > 1$ by assumption, equation (3) implies the inequality

$$\frac{b_x X}{1-a_x\ (1+r)} > \frac{b_y Y}{1-a_y\ (1+r)} \quad \ldots\ldots 4)$$

Sau says: "Evidently, LHS of (4) is the total labour content of the export X of the country under reference, and the RHS is the total labour content of its import Y under balanced trade. Inequality (4) is the proof of unequal exchange without a word from the author about the choice of units"[2].

In this Sau is wrong. As we shall see, inequality (4) above does not prove unequal exchange as Sau evidently believes. But Sau is right in so far as whatever the inequality (4) demonstrates does not depend on any choice of units. But Bose refuses to see this and continues to muddle with the 'choice of units'. In his Rejoinder, Bose says: "He [Sau] now claims that $P_x = P_y$ and $X = Y$ is a harmless 'simplification'. Is it? The matter can be settled easily by assigning numerical values to his equations (1) and (3) in his Reply"[3].

Sau in his Reply-II [4] has dealt with Bose's numerical illustration adequately but rather laboriously, so much so that he advises Bose or the reader to "proceed slowly, step by step". In the following, we shall attempt an alternative route to locating Bose's error.

Bose's numerical illustration is as follows: "Let $p_x = 1$ and $p_y = 3$. Then to satisfy the 'balanced trade' equation (1), we must have $X = 3$ and $Y = 1$. Substituting 3 for X, 1 for Y ... we now have the equivalent of Sau's equation (3), or (using our notation):

$$\frac{3.b_x w}{1-a_x\ (1+r)} = \frac{1.b_y kw}{1-a_y(1+r)} \quad \ldots\ldots (3')$$

Bose then proceeds to argue that this equality does not necessarily hold, and that depending upon the values of the parameters a, b, etc, the LHS may be greater or smaller than the RHS. This if of course correct. It means that the equality $3p_x = p_y$ does not necessarily hold; that depending upon the values of the parameters a, b, etc, $3p_x$ may be greater or smaller than p_y. This is also correct. But Bose does not see that when he lets $p_x = 1$ and $p_y = 3$, by implication he *assumes* that the parameters a, b, etc, have values which would let $p_x = 1$ and $p_y = 3$ simultaneously and hence would satisfy the equation $3p_x = p_y$. Having done this, Bose cannot drop the assumption in the midst of an argument and say that the parameters a, b, etc, may have values which do not satisfy the equation $3P_x = p_y$. But this is precisely what he does. In his innocence of elements of logic or algebra, whatever it is, Bose does not see that he is disproving, not Sau's equation (3), but his own assumption.

And that is not all. Having argued that Sau's equation (3) does not necessarily hold for $p_x = 1$, $p_y = 3$, $X = 3$, and $Y = 1$, Bose asserts that it *will* hold for $X = Y$, presumably whatever be the values of the parameters a, b, etc. If one is to make any sense at all of what Bose is saying it means that the condition of balanced trade $Xp_x = Yp_y$ is not necessarily satisfied if $p_x = 1$, $p_y = 3$, and $X = 3$, and $Y = 1$ but that it *will* be satisfied for $X = Y$ and hence by implication $p_x = p_y$. Thus Bose clearly implies that it is only by a suitable choice of units so as to make $X = Y$ that the condition of balanced trade $Xp_x = Yp_y$ can be satisfied. As already noted earlier, Bose had made exactly the opposite point, namely, "if we make $p_x = p_y$, we *can only have* $Xp_x \neq Yp_y$, or unbalanced trade. Thus, Bose has a dual proposition: If $X = Y$, then $Xp_x = Yp_y$. *will* hold. This implies $P_x = p_y$. But if we make $p_x = p_y$ ... we *can only have* $Xp_x \neq Yp_y$. The common ground to these two propositions is that by suitable choice of units, it is possible to make a 'balanced trade' 'unbalanced' and *vice versa*. Bose says that he is trying "to drive the point home by showing that it is impossible to convert an 'unbalanced trade' situation when conventional units are used to express prices and quantities arbitrarily into a 'balanced trade' situation by 'suitable choice' of both units" [3]. Bose should reverse direction and take that point home.

Let us return to Sau's inequality (4) and see why it is not a proof of unequal exchange as Sau believes it to be. Sau's error lies in supposing that "... LHS of (4) is the total labour content of the export X of the country reference, and the RHS is th labour content of its import Y balanced trade" [2]. The error traced to Sau's book where h "As we shall show below, t sides of (38) are the total labo tents per unit of x and y respe and therefore, here is an insta *unequal exchange* even under p competitive conditions in the [5, p 57]. We should note t equality (38) in the book is ana to inequality (4) above. Sau pro "Now properly weighing the labo puts with the profit rate, the u series of labour inputs per unit adds up as follows:

$$b + ab\,(1+r) + a^2b\,(1+r)^2 + \ldots = \frac{b}{1-a\,(1+r)} \quad \ldots\ldots$$

This is the term at the left hand of (38). Similarly, the other term o is the labour content per unit Hence, the Third World coun giving away more labour than getting back in trade. This is the unequal exchange" [5, p 57].

We may rewrite the identity (3 terms of our notation as under:

$$b_x + a_x b_x\,(1+r) + a_x^2 b_x\,(1+r)^2 \ldots\ldots = \frac{b_x}{1-a_x\,(1+r)} \quad \ldots\ldots$$

What the identity shows is the fol ing: b_x, $a_x b_x$, $a_x^2 b_x$, etc, are quantities of labour entering into production of a unit of x in 'succes periods' of its production read b wards into the past; and when t successive labour inputs are multip by a profit factor at a compound appropriate to each period, they ad to the RHS of (5) which is the sam the LHS of (4) except for the facto being the quantity of x exported. far Sau is correct. But he is wrong supposing that the series of labour puts, so multiplied and added, give total labour content of a unit of x. obtain the total labour content o the series of labour inputs must added simply, that is without multi ing by the profit factor at a compo rate appropriate to each period. T the total labour content of a unit o is given by:

$$b_x + a_x b_x + a_x^2 b_x + \ldots = \frac{b_x}{1-a_x} \quad \ldots$$

s sum up. Referring to in- (4), the LHS and the RHS,

$$\frac{}{+r)} \quad \text{and} \quad \frac{b_y Y}{1-a_y(1+r)}$$

the total labour contents of X respectively as Sau believes them The total labour contents of X are simply

$$\frac{}{} \quad \text{and} \quad \frac{b_y Y}{1-a_y} \text{ respectively.}$$

ence of Sau's 'Fresh Approach' onstrate unequal exchange is cial error.

is apparently aware that the bour content of X is given by

$$\text{and not by } \frac{b_x X}{1-a_x(1+r)}$$

and so for Y.

se does not see Sau's crucial This is not out of kindness but of his innocence of elements bra. He thinks that the factor) appearing in the LHS and RHS s inequality (38) or (4) above is ious and could be easily dropped g a *common* factor to the two Indeed, Bose says: "But, on the tions made by Sau, the two sides 8) represent the total labour- ed in one unit of corn and iron ively multiplied by the *common* actor (1 + r). Since the profit- could be eliminated from both *n this special case* without loss, eans the 'labour-embodied' in one corn is greater than the labour- ied in one unit of iron" [1, sis added]. To make explicit point, let us refer to inequality ose's argument is as follows: If

$$\frac{X}{1+r)} > \frac{b_y Y}{1-a_y(1+r)} \quad \ldots\ldots(4)$$

i) because both sides are multi- by the common profit-factor r) and (ii) because, in the special of Sau's special assumptions $= p_y$ and $X = Y$, the common actor could be eliminated from ides without loss, it follows that

$$\frac{X}{a_x} > \frac{b_y Y}{1-a_y}$$

roving that labour content of X ter than the labour-content of Y. bad enough that Bose does not it (1 + r) is not a common factor of the LHS and RHS of Sau's inequality (38) or (4). What is worse, even when he believes that it is a common factor of the LHS and RHS, he thinks that it can be dropped from both sides only under certain assumptions which Sau makes, namely $p_x = p_y$ and $X = Y$. In his Rejoinder (3), Bose shifts his ground and suggests some other assumption of Sau under which this may be done. He says: "Sau's *third* restrictive assumption is that the LHS and the RHS of his inequality (38) represent 'total labour content' of the exports and the imports of the two countries engaged in trade *only* because he has also assumed that x is produced only by itself plus labour, and y is produced only by itself plus labour." Bose's phrasing is not accurate. Bose says that Sau's *third* restrictive assumption is that the LHS and the RHS of his inequality (38) represent 'total labour content' of X and Y. This is not correct. What Bose means is that Sau's *third* restrictive assumption is "that x is produced only by itself plus labour, and y is produced only by itself plus labour" and that it is only because of this assumption that the LHS and the RHS of Sau's inequality (38) represent 'total labour content' of X and Y.

Bose had raised this point in his first Note [1] but without the explicit statement which he makes in his Rejoinder namely that under this *third* restrictive assumption of Sau, the LHS and the RHS of (38) represent 'total labour content' of X and Y. Why? Because, says Bose, it is only under such assumption that "Sau can 'resolve' both the LHS and the RHS of (38) *entirely* into pure labour without 'commodity residue', i e, with the commodity inputs having been reduced to zero" [3]. Bose does not explain how, except parenthetically: "In (38), the a's can be replaced by the b's, and (1 + r) eliminated from both sides, without loss". Bose is again loose when he says that 'the a's can be replaced by the b's'; but we know what he wants to say, namely, that the commodity input can be replaced by the labour input. The crucial part of Bose's argument is that under the *third* restrictive assumption of Sau, the *common* factor (1 + r) can be eliminated from both sides of (38) without loss.

Thus, it seems Bose is aware that the total labour content of X is given by

$$\frac{b_x X}{1-a_x} \quad \text{and not by} \frac{b_x X}{1-a_x(1+r)}$$

as Sau believes

and for Y. But, Bose does not quite know how to get rid of the factor (1 + r) appearing in the expression. In his innocence of algebra, Bose imagines that (1 + r) is a *common* factor of the LHS and the RHS of (38) But then he is not sure that a factor common to both sides of an equality or inequality can be dropped. So he suspects that this may be done only under certain restrictive assumptions. In his first Note [1], he says that (1 + r) may be dropped from both sides of (38), without loss, only under Sau's first restrictive assumption of $p_x = p_y$ and $X = Y$. In his Rejoinder [3] he says that (1 + r) may be dropped, without loss, only under Sau's third restrictive assumption of 'x being produced only by itself and labour and Y being produced only by itself and labour'. It is all very pathetic. Bose may ask himself the following question: Suppose there were not two but only one commodity say x being produced by itself and labour. There could be no question now of (1 + r) being a *common* factor. How would Bose eliminate it and get the correct expression for the total labour content of a unit of x, namely, $b_x/(1-a_x)$?

Bose accuses Sau of 'making mistakes... in order to cover up his failure'. In fact, it is Bose who is making mistakes and helping cover up Sau's crucial error. No wonder that Sau does not notice these mistakes of Bose.

Sau's crucial error can be traced to his misreading of Sraffa. In support of his contention that "the two sides of (37) are the total labour contents per unit of x and y respectively" [5, p 57], Sau refers to Sraffa [6, pp 34-35]. Bose, in his concern for the 'commodity residue', also refers to the same passage of Sraffa. This is Sraffa's Article 46 in Chapter VI titled 'Reduction to Dated Quantities of Labour'. Sraffa explains: "We shall call 'Reduction to dated quantities of labour' (or 'Reduction' for short) an operation by which in the equation of a commodity the different means of production used are replaced with a series of quantities of labour, each with its appropriate 'date' " [6, p 34]. The equation of a commodity is the equation of its production and in Sraffa's notation, the equation of production of a commodity 'a' is given by

$$(A_a p_a + B_a p_b + \ldots K_a pk) + L_a w = A p_a \quad \ldots\ldots(7)$$

where A is the output of commodity 'a', A_a, B_a, ... K_a, are the inputs of

the commodities 'a', 'b', 'k' for the output A; p_a, p_b ... p_k are the prices of the several commodities, L_a is the direct labour input, w and r are the wage and profit rates. In the particular Chapter, wage and prices are expressed in terms of the Standard Commodity. The 'reduction equation' for the production of A is given by the infinite series

$$L_aw + L_{a1}w\ (1+r) \ldots + L_{an}w\ (1+r)^n + \ldots = Ap_a \ldots (8)$$

where L_a is the direct labour input and L_{a1}, L_{a2} ... L_{an} are labour inputs at successive stages of production read backwards in the past. The labour are all multiplied by the wage rate w and a profit factor at a compound rate appropriate to each stage, namely, $(1 + r)^0 = 1$, $(1 + r)$, $(1 + r)^2$, ... $(1 + r)^n$. Note that the series so multiplied and added is equal to the price of production of A. If we divide both sides by the wage rate w, we have

$$L_a + L_{a1}\ (1+r) + \ldots + L_{an}\ (1+r)^n + \ldots = Ap_a/w \ldots (9)$$

The LHS in the above is the infinite series of labour inputs multiplied by the profit factor at a compound rate appropriate to each stage and added up. The RHS is *not* the total labour content of A, as Sau seems to believe, but the price of production of A only expressed in terms of the wage rate w. The total labour content of A is simply

$$L_a + L_{a1} + \ldots + L_{an} + \ldots \qquad (10)$$

The expressions for a single commodity x using per unit of output a_x of itself and b_x of labour corresponding to (9) and (10) are respectively (5) and (6) above. As already mentioned, *not* (5) as Sau believes, but (6) gives the total quantity of labour per unit of x.

The controversy between Bose and Sau regarding the 'commodity residue' arises because of a misreading of Sraffa by both Bose and Sau. After giving the 'reduction equation' (8) Sraffa says: "Besides the labour terms there will always be a 'commodity residue' consisting of minute fractions of every basic product; but it is always possible, by carrying the reduction sufficiently far, to render the residue so small as to have, at any prefixed rate of profits short of R, a negligible effect on price" [6, p 35]. We should note that the 'commodity residue' is a residue of the *price of production* of A and not of *the total labour content* of A. Sraffa says that for $r < R$, the residue can be made as small as desired and hence the price of production approximated as closely as possible, by carrying the reduction sufficiently far. Evidently, Bose does not understand this. He says: "Indeed, in Sraffa's own 'reduction equation' the commodity residue in the form of share of profits and wages actually *increases*, as commodity inputs are replaced, round upon round, by labour and commodities" [3]. In this, Bose is clearly wrong. We can only request him to read Sraffa's Articles 46-47 once again carefully.

Bose at least sees that the 'commodity residue' is the residue of the price of production of the commodity and not a residue of the total labour content of the commodiy. Sau does not see this clearly because of his mistaking 'the price of production of a commodity expressed in terms of the wage rate' for 'the total labour content of the commodity'. Hence, he formulates the point at issue between him and Bose as follows: "Can the total labour-content of a commodity be computed when the so-called 'commodity residue' is recognised?" [4], and proceeds to demonstrate, rather pedantically, the obvious point that, using our notation and referring to (5) above,

$$\frac{b_x}{1-a_x\ (1+r)}$$

is determinate and positive provided $a_x\ (1 + r) < 1$. Sau says that the last condition is a condition necessary for unit price of x, namely

$$p_x = \frac{b_x w}{1-a_x\ (1+r)} \ldots\ldots \qquad (2a)$$

to be determinate and positive and hence is no more than a "condition for the *existence* of a viable capitalist economy with a positive price for its commodities" [4]. So far Sau is correct. But, even having come so close, he does not see that

$$\frac{b_x}{1-a_x\ (1+r)}$$

is simply p_x/w namely 'the price of x expressed in terms of the wage rate' which is not the same thing as 'the labour content of a unit of x'.

The answer to the question: "Can the total labour-content of a commodity be computed when the 'commodity residue' is recogn straight and simple. There is modity residue so far as total content of a commodity is co Within the Marx-Sraffa syste total labour content of a comm determined solely by the tech relations of production namely t modity and labour inputs ne produce the several commodities system and is independent of th and profit rates. Sau and Bose not seem to have grasped this point. In the circumstances, b waking up Marx unnecessarily.

One may fairly ask: What is Sau has demonstrated by his eq (3) and inequality (4), if it is no of unequal exchange as he beli to be? The answer to that ques simple. Equation (3) says that money prices of exports X and i Y are equal. The inequality derived from (3) by dividing both of (3) by the respective money wa and kw. The inequality (4) says tha price of X in terms of wage rate greater than the price of Y in term the wage rate kw if $k > 1$. In words, Sau demonstrates, by mean an unexceptionable piece of alge that if $Xp_x = Yp_x$ then

$$\frac{Xp_x}{w} > \frac{Yp}{kw}$$

provided $k > 1$. Sau believes that is evidence of unequal exchange.

Such is the analytical foundation Sau's impressively titled book "Unec Exchange, Imperialism and Under velopment" with a sub-title "An Es on the Political Economy of W Capitalism" published by the pre gious Oxford University Press.

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